

Incentives for bosses
or corporate greed?

Top people's pay rises have sparked accusations that too many have their fingers in the corporate honey-pot

Vandalism into saint
The death of Lady
Mountbatten

Tax at 50 per cent
Philip Coggan tells savers how to
prepare for Labour's policies

Thatcher's Euro-ally
The passions, prejudices and
reasons of anti-marketier Teddy
Taylor

Shops for chic men
Lucia van der Post asks
international men where they buy
their clothes

EUROPE'S BUSINESS NEWSPAPER

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WORLD NEWS

US accuses
Iraq of
violating
ceasefire

President George Bush accused Iraq of violating the Gulf war ceasefire after Iraqi troops fired warning shots in the air to prevent United Nations inspectors from entering a suspected nuclear weapons site.

Nuclear station 'unsafe'
The International Atomic Energy Agency warned that Bulgaria's only nuclear power station was unsafe.

RAF man reprimanded
Wing Commander David Farquhar, 42, was found guilty by court martial of negligence after Gulf war secrets were stolen from his staff car. He was severely reprimanded and stripped of seniority but did not lose his rank.

Ernest Saunders freed
Former Guinness chairman Ernest Saunders, 55, was released on parole 20 months before the end of his 2½-year jail sentence for fraud and false accounting.

Bomb at London theatre
A 20lb bomb planted behind the Alfred Beck Theatre in Hayes, west London, was safely defused after failing to explode. The army band of the Blues and Royals had performed to an audience of about 300 there on Thursday. Security sources blamed the IRA.

The secret heroes
Undercover operations behind Iraqi lines by Britain's special forces are officially recognised among 511 awards conferred by the Gulf war, but most of their names are being kept secret for security reasons. Businessmen share, Page 6

Channel ferries threat
Passengers crossing the Channel today face severe disruption to journeys after a threat by French seamen to blockade the port of Calais.

Maze future in doubt
A decision on whether to close and replace the Maze Prison in Northern Ireland is to be made within months, the province's security minister, Lord Belstead, confirmed. It costs £22m a year.

Four years for joyrider
Joyrider Oliver Knowles, 16, who admitted killing three people during a high-speed motorway chase by police on the M5 near Preston, Lancashire, was sent to a detention centre for four years.

Undersize celebration
Flashing lights, loud music and the pop of champagne corks 15ft below the seabed marked the completion of the final section of the Channel Tunnel.

Polish rift deepens
A rift between President Lech Walesa and the Polish parliament deepened when the lower house overruled his veto on a new electoral law.

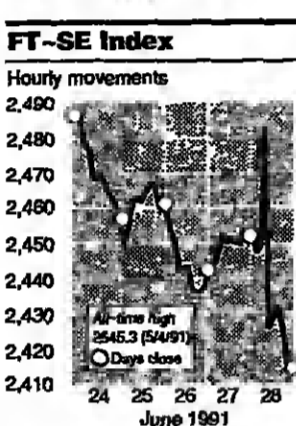
Bomb hoaxer jailed
Belfast-born Gary McCormack, 23, a labourer who made two bomb threats at London's Canary Wharf tower because he wanted the rest of the day off, was jailed for two years. Another hoaxer was given 18 months.

Spirits at low ebb
One million people in the UK have stopped buying wine and spirit sales have dropped by \$10,000 bottles a year, according to the Wine and Spirit Association.

BUSINESS SUMMARY

FT-SE closes
depressing
day 37.7
points lower

THE FT-SE 100 closed a depressing day on the UK stock market 37.7 points lower at 2,410.8, to bring the total fall during the two-week trading account which closed yesterday to 107.5 points, or just over 4 per cent. The sell-off was triggered by setbacks in Tokyo and weakness in other European bourses, emphasised by yesterday's fall in the German market. In New York at lunchtime, the Dow Jones Average was following the London market lower, 37.12 points off at 2,971.81.



P&O, biggest UK-owned container shipping company, is in final talks to buy the cargo shipping operations of Trafalgar House, construction and shipping group. Page 10

MONSANTO, one of the biggest US agrochemical companies, is to cut 2,500 jobs worldwide from its 41,000 workforce and take a second quarter after-tax charge of \$325m (£198m) or \$2.54 a share. Page 12

AMERICA West, Phoenix-based regional carrier, became the fifth US airline to seek bankruptcy protection from its creditors under Chapter 11 of the US Bankruptcy Code. Page 12

DAVIES & Newman, Dan-Air parent which negotiated a stay of execution with its bankers last October, is seeking \$40m by issuing loan stock to plug its next working capital gap. Page 10

BHP, Australia's largest company, unveiled record net profits of A\$1.42bn (\$660m) after strong earnings from its petroleum and minerals division. Page 12

TATE & LYLE, UK sweetener group, won control of Queensland sugar miller Bundaberg Sugar after capturing 67 per cent of the stock. Page 12

ROYAL Insurance, UK composite insurer, ended talks with General Re, largest US reinsurer group, over the sale of its reinsurer subsidiary, Royal Re. Page 10; Lex, Page 24

GLOBANK, recently privatised bank which operates through the Post Office, has shelved plans for the UK's first mass-market share dealing service. Page 4

REDIFFUSION Simulation, one of the world's three largest manufacturers of flight simulators, said it was making 800 workers redundant at its main manufacturing plant at Crawley, West Sussex. Page 4

DAIMLER-BENZ, Germany's largest industrial group, met 100 British component companies in the motor, electronics, aerospace and other sectors to discuss increasing the DMB's (\$500m) worth of components it buys from the UK each year. Page 4

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: \$1.6226	New York lunchtime: DM1.81185 (1.750)	FT-SE 100: 2,410.8 (-37.7)
London: \$1.6119 (1.833)	FFr. 1396 (6.082)	FT Ordinary: 1,877.5 (-34.1)
DM2.0575 (2.83)	SFr. 1.555 (1.5503)	FT-A. All-Share: 1,161.19 (-1.3%)
FFr. 8.926 (8.94)	Y136.7 (137.9)	
SFr. 2.5225 (2.53)	DM1.8145 (1.794)	
Y223.25 (225.5)	FFr. 1478 (5.0875)	
£ index 88.6 (88.7)	FFr. 1.558 (1.549)	
	S index 88.0 (87.7)	
	Tokyo closer: Not available	
	US CLOSING RATES	
	Fed Funds 5½% (5)	
	3-mo Treasury Bill: yield: 5.89% (5.7)	
	Long Bond: 8½% (8.48)	
	yield: 8.42% (8.48)	

Ceasefire collapses as jets launch raids

EC ministers fly
to Belgrade for
urgent talks

By Judy Dempsey in Ljubljana, Laura Silber in Zagreb and David Buchan in Luxembourg

THREE European Community foreign ministers flew to Belgrade for urgent talks with the Yugoslav central authorities last night as federal army units closed the last border posts in Slovenia and announced a ceasefire after three days of heavy fighting.

However, the ceasefire collapsed within hours as the military carried out fresh bombing raids just outside the Slovene capital Ljubljana and near the border with Croatia.

Mr Janko Jursic, Slovenia's minister of defence, said military jets bombed a transmitter station near Ljubljana two hours after the ceasefire offer.

He said three people had been killed in the town of Medveje, which borders Croatia, after tanks rammed into civilian cars. The total number of dead was put at 10 by mid-evening yesterday.

The three ministers, from Italy, the Netherlands and Luxembourg, left an EC summit to urge talks between the federal government and the two break-away republics of Slovenia and Croatia.

The EC summit, convened to discuss political union and a future common foreign policy, faced its first international mediation effort. Sweeping aside other summit business until they had settled their tactics on Yugoslavia, EC leaders armed the three foreign ministers with a letter invoking the newly-agreed consultation mechanism of the Conference on Security and Co-operation in Europe (CSCE).

The EC leaders decided to see whether political persuasion could work on the warring parties in Yugoslavia, before

EC thrust into front line
A way out of Yugoslavia's mess

cutting off nearly Euilum in promised EC aid to the Balkan country.

Chancellor Helmut Kohl, evidently worried about the reaction of the large number of Yugoslav, mainly Croatian workers, in Germany, urged: "Europe should take action and not leave mediation to other countries."

But Mr John Major, the UK prime minister, told the press that "the first prize is to keep the Yugoslav federation together", while at the same time calling for an end to violence and return of federal troops to barracks.

But inside the summit meeting, the UK leader acknowledged that European public opinion would sympathise with Slovenia and Croatia.

The Yugoslav government yesterday contacted leaders at the EC summit to urge them to back prime minister Ante Markovic's call for a three-month cooling off period, during which negotiations between the federal authorities and Croatia and Slovenia could take place. This idea was broadly endorsed by EC leaders who decided, however, to issue no declaration until the troika of foreign ministers conclude their mediation effort.

Meanwhile the confused military position inside Slovenia raised doubts about who was in control of the Federal army. Mr Igor Bascan, the Slovene minister of the interior, suggested attacks by the army were continuing for several reasons. "The army may now be out of control; the federal officers here are acting on their own orders; and the communication lines have been damaged by the Slovenes."

He said he doubted "the real readiness of the officers to stop hostilities". Official reports say 10 people have been killed in Slovenia since Wednesday.

Austria accused the federal air force of violating Austrian airspace during a bombing raid on the border crossing at Srdica over which millions of tourists from Austria usually cross every year. The air force bombed a Slovene airport and four passenger aircraft on the ground will further damage the Yugoslav tourist industry which is heavily centred on Slovenia and Croatia.

The Slovene government yesterday closed down Yugoslavia's sole nuclear power station at Krsko as a safety measure after unspecified threats to blow it up.

Mr Stipe Mesic, a Croat whose election as federal president was blocked last month by the EC, sharply criticised the prime minister Ante Markovic for backing the army's occupation of Slovenia.

Earnings per share (EPS) is the most common measure of the chief executive or chairman's performance used in the board room today. Many company executives have their "long-term" bonuses tied to groups in EPS. The FT study looked at the total remuneration of the highest paid director in each company.

The pay question is bound to be raised when Sir Adrian Cadbury's committee on the financial aspects of corporate governance meets for the first time on July 15.

Sir Adrian said yesterday that pay would be a secondary but unavoidable issue. Questions such as how board members are paid and whether their packages genuinely

reflect performance, will be discussed, he said.

Further criticism of board room practices comes in a survey by Korn/Ferry International, a leading headhunter, to be released tomorrow.

Mr John Stock, the company's chairman, said that in 1990/91 "there was some fall in bonus payments, but not as much as falling profits and business confidence might have suggested".

The study says that the median rise in the pay of chief executives of large companies was 11 per cent in 1990/91.

It shows that of the 196 companies in the survey, 81 per cent provide performance-related cash bonuses for senior executives. Of these, nearly 90 per cent confine their measurement of performance to one year. The most popular measures of executive achievement are EPS and pre-tax profits.

Fingers in the honey pot, Weekend I

Disparity seen in top pay
and company performance

By Christian Tyler and Simon Holberton

A LARGE disparity between what top UK directors are paid and the performance of their companies has emerged in an Financial Times analysis of earnings in the past decade.

The total pay of Britain's 70 most senior industrialists and bankers rose by an average of 350 per cent between 1981 and 1990 compared with an increase in their companies' average earnings per share of 166 per cent.

Their earnings were also more than three times the national average. Over the decade, the index of average earnings increased by 106 per cent. Inflation, as measured by the retail prices index, was 68 per cent.

Top businessmen's pay has been the subject of a parliamentary row this week after the publication of large increases for the heads of newly-privatised utility companies.

The FT analysis shows that total before-tax pay, including performance bonuses, rose

from an average of \$88,340 in 1981 to \$268,220 last year. At the same time, the rise in the average earnings per share of 70 of the current 100 companies included in the FT-SE 100 Share Index rose just over one-and-a-half times.

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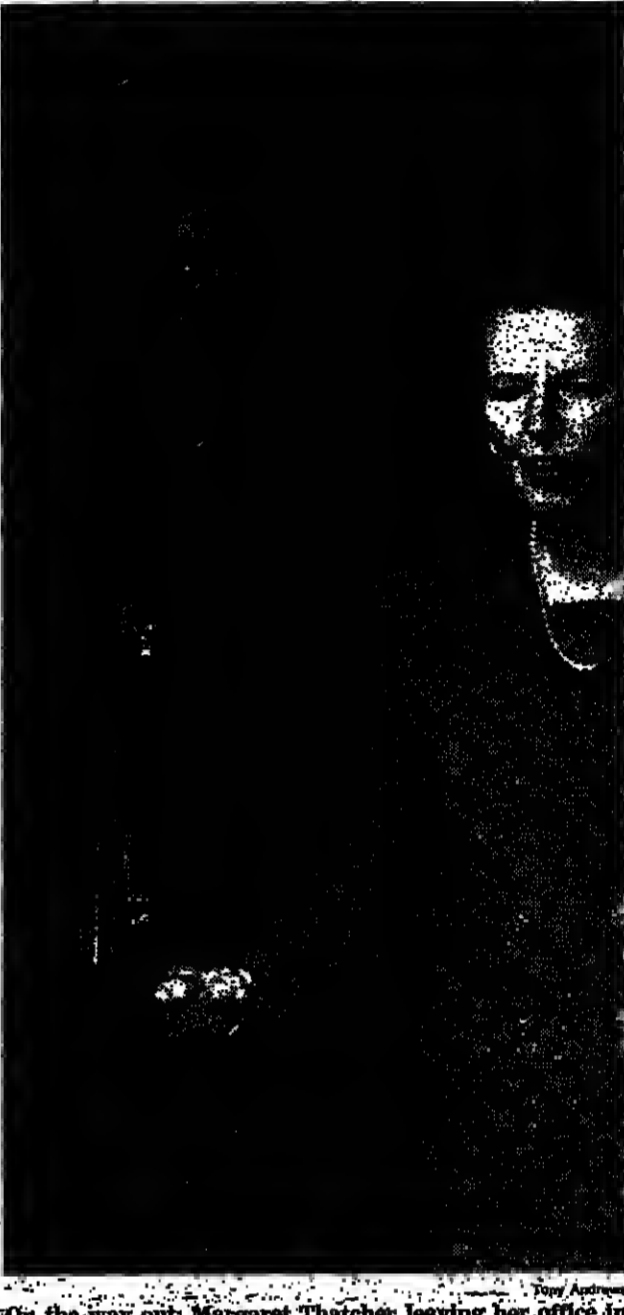
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On the way out: Margaret Thatcher, leaving her office in London yesterday to announce her retirement as an MP

Thatcher to retire

By Ivo Dawdney, Political Correspondent

MRS Margaret Thatcher celebrated her decision to retire from the House of Commons yesterday with another resounding broadcast against any hint of compromise with Britain's European partners.

Making it abundantly plain that she had no plans to with-

draw from political debate, the former prime minister used an interview on Britain's Independent Television News to repeat her warnings against the UK

Continued on Page 24
Tories mourn, Page 4
Fading of megastar, Page 8

Burton to
cut jobs
and seek
£161m

By John Thornhill
and Maggie Urry

BURTON GROUP, the UK fashion retailer and owner of the Debenhams department store chain, yesterday asked shareholders for £161m through a rights issue. It blamed its need for cash on the steepening recession in the high street and the collapse in the value of its property developments.

The group announced a further substantial cost-cutting programme which will result in 1,600 job losses. All remaining staff will have their pay frozen until next year.

Since announcing interim pre-tax profits of £44.1m in March, Burton has suffered a marked deterioration in trading conditions.

Retail sales are running at a 3 per cent below the previous year's depressed levels and the company has forecast a second-half loss of £24m. Burton's shares, after falling heavily in recent days, closed 2p lower at 44p yesterday.

Mr Laurence Cooklin, chief executive, said he could see no immediate end to the recession. "It is like pitching tents in an avalanche," he said.

The one-for-one rights issue at 30p a share, which has been underwritten by S.G. Warburg, the merchant bank, is designed to bolster the balance sheet and reduce borrowings.

It will buy Burton time to try to dispose of its five shopping centre developments in an orderly fashion and implement its revised retailing strategy.

Burton is substantially reorganising its retail formats, expanding the Evans and Principes chains and cutting back Top Shop, Top Man and Burton. Overall, trading space will be reduced by 147,000 sq ft or 2.8 per cent of total area.

The group is forecasting a pre-tax loss of £14.6m for the current financial year, which ends in August. The loss is after £24.6m of exceptional Continued on Page 24

Dressing down, Page 8
Details, page 10
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INTERNATIONAL NEWS

Yugoslav crisis thrusts dilatory EC into frontline

By David Buchanan in Luxembourg, Lionel Barber in Washington and David White in London

THE YUGOSLAV crisis yesterday thrust the European Community into its first international mediating role, as EC leaders decided to dispatch three ministers to Belgrade.

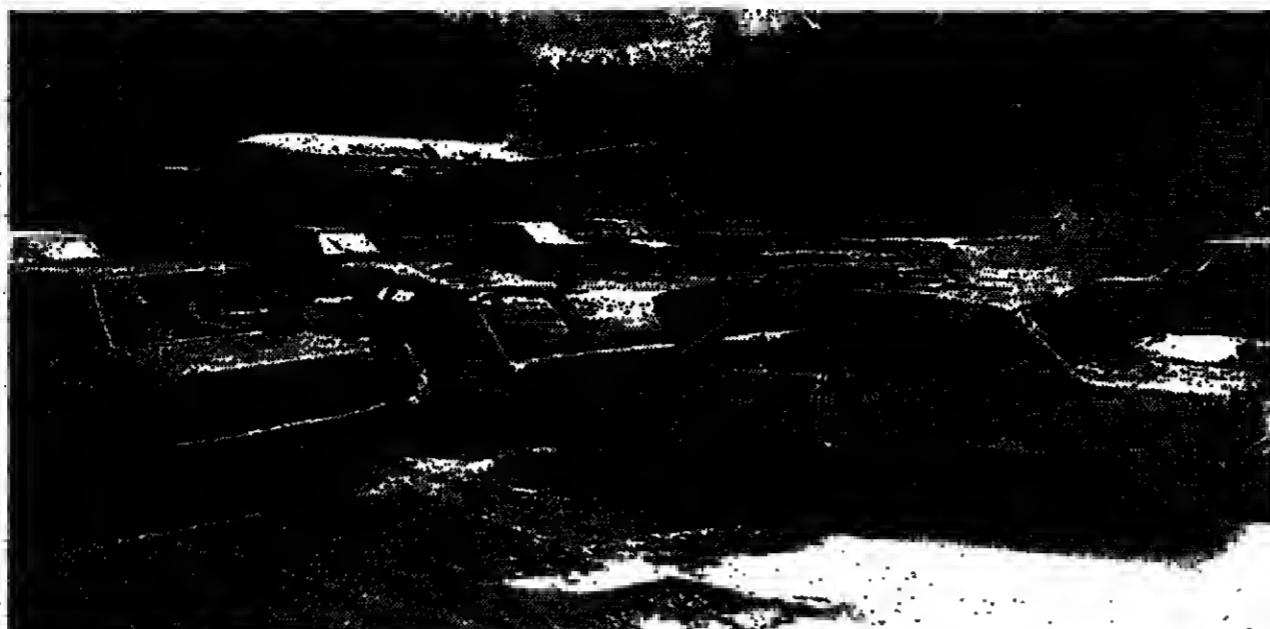
Carrying a letter explaining why the EC had decided to invoke the conciliation procedures of the Conference on Security and Cooperation in Europe (CSCE), and an implicit threat to cut off nearly \$200m (€700m) in EC aid, the foreign ministers of Italy, Luxembourg, and the Netherlands set off yesterday afternoon in the hope of meeting federal and republic leaders in Belgrade.

The Dutch administration has been consulting closely with European allies on how best to promote a dialogue between the parties which could involve, at some future date, some form of autonomy within present borders.

Throughout the escalating crisis, the US has presented an unambiguous message to the secessionists in Croatia and Slovenia, putting the territorial integrity of Yugoslavia ahead of all other considerations.

The administration's unspoken fear is that if Croatia and Slovenia were allowed to break away, then other pent-up ethnic nationalism could erupt not just in the Balkans but also in the Soviet Union.

The EC mission to Belgrade is viewed in Washington as a useful step forward. Privately, however, US officials complain that the EC should have become involved in the Yugoslav crisis in its earlier stages. "After all, it's not our problem," said one US official.



Burnt-out cars at Ljubljana airport after bombing yesterday by the Yugoslav army

"It's a European problem."

The EC summit is expected to stay in session today until the three foreign ministers return. Only after the EC mediators give the summit an assessment of their trip will the EC consider using its main leverage - suspending economic aid. This consists of a security signed protocol giving Yugoslav Ecu807m in soft loans over the next five years, and more than Ecu100m in EC aid pledged to Yugoslavia in the context of the Group of 24 programme for Eastern Europe. Total pledges to Yugo-

slavia from all G-24 donors in the past two years amount to a Ecu4.5bn. The US and other G-24 donors may well follow any EC recommendation to freeze aid to the ailing Balkan federation.

Up to now, EC policy has been to urge Yugoslav republics to stay together, but without the use of force and in full respect of minority rights. Prime Minister John Major said yesterday "the first prize is to keep the federation together." But inside the summit meeting, he acknowledged that EC public opinion would

tend to side with the Slovene separatists.

Mechanisms foreseen for preventing or containing conflicts in Europe are being put prematurely to the test by the Yugoslav crisis.

Ministers from the 35 countries of the CSCE, including the US and Canada, agreed in Berlin only last week on procedures for consultation in the event of "major disruptions endangering peace, security or stability."

After an initial 48-hour stage for attempting to clarify the situation, the procedure allows

for all members to be called to an emergency meeting provided the state making the request is backed by at least 12 others.

Mr Hans-Dietrich Genscher, the German foreign minister, said yesterday the necessary quorum had been assembled for a meeting, which could be held in Prague on Sunday. However, the procedure leaves it unclear what action of any kind could then be taken.

It was agreed after objections by the Soviet Union that it could undertake the principle of non-intervention in

internal affairs, and includes no powers for enforcing resolutions.

Austria and Italy have also invoked the CSCE's Conflict Prevention Centre. This can also call a meeting if a member complains of unusual military activity near its borders.

The centre, located in Vienna, was one of three new offices which heads of state and government decided to set up within the CSCE at a summit last November. The others were a secretariat in Prague and an office for free elections in Warsaw. The job of the Conflict Prevention Centre was to monitor military activities and exchange information.

However, the idea is described by described Western officials as having "hardly got off the ground". The CSCE process has developed much more slowly than seemed possible last autumn, partly because of events in the Soviet Union, they say.

The November summit forecast "methods for the peaceful settlement of disputes, including mandatory third-party involvement".

The possibility of mediation missions was proposed at a meeting in Valletta, Malta, in January in the wake of the summit. However, this was conceived as a means for settling disputes between states rather than internal conflicts.

Mr Douglas Hurd, British foreign secretary, said yesterday: "You can only mediate between people who are willing to accept mediation, and we are not in that position now."

Slovenia 'only the first chapter in the break-up'

Judy Dempsey in Ljubljana sees the population responding with determination and confusion

"THE population is in distress and fear. The streets of Ljubljana are deserted. Two battle-ships have arrived in the territorial waters of Slovenia. Military planes have bombarded the city of Dravograd close to Slovenia's northern border."

This was the statement to the international community issued yesterday afternoon by the Slovenian Press Agency. For the past three days, the Yugoslav army has tried to force the government of Slovenia to retract the declaration of independence issued on Tuesday night. But the republic's youth are determined to defend their independence.

"Of course there are too few of us. And the world is against us," said Mr Andrej Kobe, the head of the students' union at Ljubljana university. In Slovenia, there are more than 27,000 students.

Mr Kobe says students will fight. "Many of us belong to the Territorial Defence Unit (TDU) - special para-military and reserve forces. We have to defend ourselves. But we are very frightened. Students come to Ljubljana to study, not to fight."

At the same time, Slovenia's banking community is making preparations to establish a currency for the republic in order to loosen further its links with the federal government.

This may well be hastened after Mr Franc Arhar, the governor of the bank of Slovenia yesterday said that the National Bank of Yugoslavia had decided to impose a monetary embargo on the republic.

"We will defend the interests of Slovenes," said Mr Arhar. "We can manage. We will issue the population with coupons and vouchers, and then proceed towards establishing our own currency. The people are ready to accept this. It will be difficult," he added.

The streets of the capital, normally bustling with traders,

bookers and booksellers selling from makeshift shelves, were quiet. People were whispering in the shops. The main noise came from radios in public institutions.

One woman who was drawing out her savings burst into tears after a radio broadcast on behalf of the Slovene authorities advised people to go to the air raid shelters.

'Here in Slovenia, we are sitting on a time bomb'

"We are expecting an air raid from the military," said Mr Igor Bavcar, Slovenia's minister of the interior.

"I cannot understand it. Why is the federal army doing this to us? Markovic [the federal prime minister] should be forced to resign," said the 73-year-old woman.

"I remember the war. I remember how the Slovenes defended themselves. But we are supposed to be trying to join Europe, which has been at peace for the past 45 years. But here in Slovenia, and in other parts of Yugoslavia we are sitting on a time bomb."

It is the fear of the future as much as concern about the present which is already haunting many Slovenes. Travelling across from Zagreb to Ljubljana on a local train, which stops at many small towns, several Slovenes were anxious to speak their mind.

"You know, madam, even if the army pulls out, it will solve nothing. We have big problems in Bosnia-Herzegovina, and in Kosovo. This is only the first chapter about the break-up of Yugoslavia. The first one has ended in blood. Can you tell me if the next chapters will be less violent?"

Prime minister's political future hangs in the balance

By Laura Silber in Zagreb

THE POLITICAL future of Mr Ante Markovic, the Yugoslav prime minister, yesterday hung in the balance following what seemed to be his approval of the federal army intervention in Slovenia.

Mr Markovic justified the crackdown by saying that "Slovenia had refused all appeals from the federal government and (I) could no longer take responsibility for the further development of events in the republic."

The military intervention followed a bid by the federal parliament and government on Tuesday for the Yugoslav People's Army to "defend the

country's territorial integrity" after the western republics of Slovenia and Croatia declared independence from Yugoslavia.

The prime minister seems to have counted on the European Community and the US, which have supported Yugoslavia's unity, to accept the use of the military to keep the country together.

An official from the Croatian government yesterday dismissed the possibility of a split between Mr Markovic and the army. He said: "It is the entire scenario as in the Baltic republics. No-one in the west believed 'our Gorbis' could be responsible, so they

started speculating that the generals were the culprits."

It is more likely that the federal government and the army expected the intervention in Slovenia to be a tightly controlled operation with no loss of human life or destruction of property. At least 12 people have been killed and scores injured in Slovenia. It was expected the tiny republic would immediately back down from its declaration of independence.

The army says it originally sent in a total of 2,000 troops in order to secure Slovenia's borders according to its constitutional obligation. A member of the federal govern-

ment yesterday said: "Mr Markovic and the parliament told the army what to do, but not how. Mr Markovic does not control the army."

But the army remains without a commander in chief. The Yugoslav state presidency, the country's collective leadership, has been paralysed since last month. Meanwhile Mr Markovic, with a pared-down cabinet, which includes Gen Veljko Kadijevic, the defence minister, have tried to keep the federal government functioning.

But Mr Markovic is in a delicate position. The federal government is made of representatives from Yugo-

slavia's six republics. "He has to avoid a split in his government. If that happens, then the last Yugoslav institution dies," one member of the federal government said yesterday.

The prime minister has had to practice a balancing act between the independence-minded western republics, Bosnia-Herzegovina and Macedonia on one side, and the republics of Serbia and Montenegro on the other.

At times it has seemed the prime minister, lacks support in all the republics, except for Bosnia and Macedonia, whose future, like that of Mr Markovic, hinges on the survival of Yugoslavia.

Gorbachev pressed to quit party post

By John Lloyd in Moscow

PRESSURE on Mr Mikhail Gorbachev, the Soviet President and Communist Party general secretary, to quit his party post, and perhaps even the party itself, is mounting from both sides of the Soviet political spectrum.

Hard liners in both the Russian and Soviet Communist parties are stepping up attacks on his attempts to decentralise power to the republics and to attract Western aid for radical economic reforms.

The first secretaries of eleven city and regional Communist parties in Siberia have warned of "an increasing slide into capitalism" and "the col-

lapse of statehood", while the Novosibirsk city party committee has demanded an emergency party congress of the CPSU to discuss the "inconsistency" of the leadership.

Further calls have been made for a central committee plenum of the Russian Communist party, at which even the future of Mr Ivan Polzakov, the hardline general secretary, may be on the line for alleged weakness following his statement that he would not seek to destabilise the position of Mr Boris Yeltsin, the newly elected president of Russia. The plenum may take place on July 7.

At the same time, the radical and democratic wing is discussing the formation of at least one new party, which some see as offering a support for reform-minded communists including Mr Gorbachev - to leave the hardliners behind and construct a new base.

Mr Gavril Popov, the mayor of Moscow, yesterday said a new party, to be called the United Democratic Party of the Soviet Union, should be formed to attract a range of centrist forces which could exercise power at the centre.

Discussions on the formation of a new party have been held in recent days between Mr

Popov, Mr Anatoly Sobchak, the mayor of Leningrad and Mr Eduard Shevardnadze, the former foreign minister.

Mr Gorbachev, who last week harshly criticised the hardliners in a speech to the Supreme Soviet, is now apparently willing to confront his conservative wing in a way he has not done for many months.

Under the terms of the draft Union treaty, he will have to face an election within the next year - an election he could not expect to win if still leader of a communist party which plunged to humiliating defeat in the Russian presidential elections.

Soviet leaders warn of growing crisis

By John Lloyd in Moscow

SENIOR figures in the Soviet power structure warned yesterday of further economic crisis, belying the more upbeat notes which Mr Valentin Pavlov, the Prime Minister, has been trying to strike.

At the same time, the draft law on privatisation, seen as crucial in the transition to a market economy, was again bogged down in acrimonious debates within the Supreme Soviet, and discussion on it will continue next week.

Several deputies said that they had received "warning letters" from the central committee of the hardline Russian Communist Party, warning them that their support for the bill would bring calamity on them and their families.

Nikolai Medvedev, said in an interview that the letter was "clearly threatening".

The preamble to the bill, which lays out a two stage process of "destatisation", or turning state-owned property into joint stock companies, followed by privatisation, or selling the share to individuals, cooper-

tives and corporations, was passed, together with about half of the 26 clauses.

Mr Anatoly Lukyanov, the Supreme Soviet chairman, urged passage of the bill on the grounds that "wild privatisation" was occurring in an unregulated way - while assuring deputies the "bulk of property will not be privatised".

In an interview with Radio Moscow, Mr Vladimir Shecherbakov, the first deputy Prime Minister, warned that their budget deficit could lead to Ecu500bn by the end of the year and said that "very tough restrictions" on fuel might have to be introduced in order to give priority to transport for bringing in the harvest.

Christina Freeland adds from Kiev: The Ukraine, which on Thursday upset Mr Gorbachev's hopes to conclude a union treaty this summer, yesterday took a step towards thwarting Mr Pavlov's plans to control economic reform from the centre by adopting a separate Ukrainian economic stabilisation period.

Comecon put out of misery after 42 years

By Nicholas Denton in Budapest

THE Soviet Union and its former communist allies yesterday put an end to the dying agonies of Comecon, the trade organisation that had roped their economies together for 42 years.

At a ceremony in Budapest, the nine member countries - the Soviet Union, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia, Cuba and Vietnam - formally dissolved the Council for Mutual Economic Assistance (Comecon) with effect in 90 days.

"Comecon was unable to give answers to the challenges of a changing world," said Mr Bela Kadar, Hungarian minister of international economic relations and host of the organisation's 46th and closing session.

Other east European ministers gave equally damning obituaries. "I believe that Comecon was a dead body and it was right that it should go to its end," said Mr Aleksandr Tomov, Bulgarian deputy prime minister.

Yesterday's agreement marks the untangling of another knot of east Europe's imposed ties with the Soviet Union - to be followed within the next week by the deadline for Soviet troops to leave Czechoslovakia and Hungary, and a Warsaw pact summit to discuss disbanding.

Comecon's only successor is a liquidation committee, given 90 days to work out the distribution of the Moscow headquarters and other common assets. The participants revealed no progress on a proposal to set up a forum for multinational consultation.

East European countries remained hostile to any follow-up grouping which included Mongolia, Vietnam and Cuba, or which was reminiscent of Comecon. Polish and Bulgarian representatives said it should include only those countries with a similar pace of economic reform.

A priority for future co-operation, multi and bilateral, is to slow the disintegration of trading links.

Walesa rift with parliament deepens

By Christopher Bobinski in Warsaw

A RIFT between President Lech Walesa and the Polish Sejm, parliament's lower chamber, deepened yesterday when the house overruled his veto on the country's new electoral law.

The president argued that the law would lead to unstable parliamentary majorities and weak governments. He has threatened to dissolve parlia-

ment if it continued to defy him.

Yesterday only 100 deputies voted with Mr Walesa and 282 voted against the veto, thus providing the two-thirds majority needed to overrule him.

With the veto the draft automatically became law.

The constitution says elections must take place by the end of October and the pres-

ident has little choice but to call an election within the next few days if he wants to keep to the constitutional timetable.

Mr Walesa has in the past few days made much play with the fact that the present Sejm enjoys a flawed legitimacy as it was elected in June 1989 under a contract with the then ruling communists reserving 65 per cent of the seats for them and

their allies.

The conflict has gone far beyond a mere difference of opinion over the relative merits of various voting methods. Yesterday Mr Jacek Kuron, a Democratic Union leader, said the president wanted "to bring parliament to its knees". Mr Walesa has openly attacked the UD party for voting against him.



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UK NEWS

PO scraps broking plan after collapse of firm

By Richard Waters

A PLAN to bring stockbroking to every Post Office in the country has been abandoned after the collapse of one of the companies backing the idea.

The plan, promoted by Girobank, the recently privatised bank which operates through the Post Office, would have created the UK's first mass-market share dealing service.

The Post Office has 30,000 outlets, substantially more than the 2,500 branches of Barclays Bank and 3,000 branches of National Westminster, the largest rival networks offering stockbroking services.

Girobank put a joint proposal to the Treasury earlier this year with Diamet, a stockbroking firm, for a share dealing service to be launched through Post Office Counters, the company that runs the Post Office's counter services.

After the appointment of a liquidator to Diamet last week, however, Girobank said it had withdrawn the proposal and told the Treasury that it had no further plans to get involved in stockbroking.

The planned launch was designed to coincide with the sale this autumn of some of the UK government's remaining shares in British Telecom, and followed appeals by Mr Norman Lamont, chancellor of the exchequer, for new retail stockbroking services to handle the BT sale.

Diamet's collapse marked the end of an ambitious attempt to build a cheap retail broking business, but which never recovered from difficulties encountered early on with handling the large number of bargains when the electricity

distribution companies were floated.

Most of Diamet's business has been taken over by Sharelink, the British Telecom-owned stockbroker which handles about 10 per cent of all stock market transactions. Mr David Jones, Sharelink chief executive, said it hoped to revive the idea of using the Post Office as a stockbroker. He said: "We will be making contact with Girobank. We would be interested in working with them."

Meanwhile, Marks and Spencer, which has been targeted by several stockbrokers with a view to a joint venture, said it had no plans to get into the broking business. "We rejected the idea," said Mr Tony Long, company secretary. "We thought it was a non-starter. It's not our business."

Rediffusion Simulation to cut 600 jobs at Crawley plant

By Andrew Taylor

REDIFFUSION Simulation, one of the world's three largest manufacturers of flight simulators, announced yesterday that it was making 600 workers redundant at its principal manufacturing plant at Crawley, West Sussex.

The company, part of Hughes Aircraft of the US, blamed the job losses on the deepening recession in the aircraft industry and cuts in defence spending worldwide which have followed the improvement in relations between the US and Soviet Union.

It said the redundancies would reduce the Crawley labour force to about 2,000. The job losses would affect technical and administrative staff and all levels of management.

Rediffusion said its main

market was the sale to airlines of pilot training flight simulators, worth up to £10m each. It estimated that world airlines had lost about £2.5bn since the beginning of this year, as the number of people flying had fallen sharply because of the economic recession and the Gulf war.

The British company's main rivals are CAE of Canada and Thomson-CSF, the French electronics group which last year acquired Link Miles, the UK military and commercial flight simulator maker, for £100m (£59m). The redundancies are the latest of a series of job losses and rationalisation measures to sweep the aerospace industry as orders for civil and military aircraft have fallen.

British defence and aerospace companies are estimated

to have announced the loss of nearly 30,000 jobs since the beginning of this year.

Rolls-Royce last month announced plans to double to 6,000 the number of jobs it wants to cut from its aerospace division this year.

The company subsequently withdrew dismissal notices issued to the division's 34,000 workers after threats of union action. The company had said the dismissal notices were a legal technicality to facilitate a six-month pay freeze.

British Aerospace in March announced reductions of up to 4,700 jobs at seven plants in the commercial aircraft and guided weapons divisions.

More recently, Dowty Group announced plans to cut 450 jobs representing about 15 per cent of its aerospace division.

Daimler offers more contracts

By John Griffiths

DAIMLER-BENZ, Germany's largest industrial group, yesterday met in London with 100 British component companies in the motor, electronics, aerospace and other sectors, and the declared intention of increasing the DMB's (2941m) worth of components it buys from the UK each year.

Yesterday's meeting, organised in collaboration with the Department of Trade and Industry, represented the culmination of earlier talks with some 350 companies interested in Daimler-Benz business.

The German group, which embraces Mercedes-Benz cars and trucks, electronics group AEG and Deutsche Aerospace, buys in some DM550m worth of goods and services every year, from a total of 60,000 suppliers around the world.

However, its supplies from outside Germany account for only a small percentage of the total.

France is its largest supplier outside Germany, followed by the US, with the UK third. However, even annual purchases from France are little larger than those from the UK.

at DMB2bn, with DMB1bn spent among US suppliers.

Dr Gerhard Liener, management board member responsible for finance and material, declined to elaborate on the extent by which Daimler-Benz wanted to increase its purchases in the UK, or on how big the eventual increase might be in the actual number of UK suppliers. At present there are 400.

The biggest areas of opportunity for UK suppliers are expected to be vehicle components, including electronics, given that well over half of Daimler-Benz's DM550bn turnover last year arose from car and truck sales.

Dr Liener warned that the process of securing contracts for UK suppliers might be lengthy while their ability to meet strict quality and other standards was assessed. However, the decision to seek increased supplies from outside Germany was a matter of long-term policy, it reflected both Daimler's move to a global sourcing strategy and a preparation for the single European market.

College for NHS managers announced

By Alan Pike

THE ESTABLISHMENT of a National Health Service management college to help produce the high-quality staff needed to run the reformed service was announced by Mr William Waldegrave, health secretary, yesterday.

He said: "I want the NHS management college to become as famous as any of those which industry and the armed services have developed - we have people just as good and they deserve the best."

Mr Waldegrave told the National Association of Health Authorities and Trusts conference in Bournemouth that the centre would provide a focus for developing senior managerial talent. It would also be a forum for managers and medical staff to shape health policies and implementation strategies.

The government's reforms of the NHS have put management into the front line, making it much more complex and controversial.

The Department of Health is at present seeking a suitable property for the college.

Mr Waldegrave also announced a nationwide survey of a sample of 4,000 adults, beginning in September, to provide more information on the nation's health. It will focus initially on cardiovascular disease and later be expanded to other conditions.

The survey will provide an information base for plans announced by Mr Waldegrave last month to target health resources to bring about measurable improvements in health standards.

Mr Waldegrave told the conference that patients rather than providers would "call the shots in future", with health services shaped to meet local needs. The NHS reforms were at the heart of the government's proposals for a Citizens Charter. He said there would be a strong health element in the forthcoming white paper.

National newspapers face advertising cut

By Raymond Snoddy

BRITAIN'S national newspapers are suffering their worst advertising recession this century, according to research by the Henley Centre for Forecasting.

It is widely believed that the present state of the advertising market is the worst since the recession of 1974. The Henley Centre found in a private study for The Independent newspaper that, particularly for broadsheet newspapers, it is also worse than 1933-34 and 1932-33. In 1930-31, the last significant advertising recession, advertising rose by 2 per cent in real terms. In the present recession, national newspaper advertising fell by 11 per cent in real terms in 1990 and a further 12 per cent decline is forecast for this year.

The recession, the Henley Centre believes, has affected

broadsheet papers still more severely. Advertising revenue fell by 14 per cent in 1990 and this year it is forecast that the drop will be 16 per cent.

In spite of the sharp fall in advertising revenue, the Independent has decided to increase the number of pages and hold the cover price of the paper.

The Independent dropped eight pages a week in response to the recession but has now decided to put them back from September.

The Independent has cut more than £2m a year from its costs through moves to integrating the daily and Sunday title. The Independent and The Independent on Sunday may be losing £3m a year.

In the past nine months the total number of staff has fallen from 695 to 590.

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Major pays tribute with a sigh of relief

By Philip Stephens, Political Editor, in Luxembourg

THE QUESTION was the obvious one as Mr John Major hurried through meetings at the European summit in Luxembourg: "Are you pleased?"

The prime minister understandably ducked it, offering instead a succession of tributes to Mrs Margaret Thatcher. He had known for a "little while" but it had been her decision alone to quit the Commons at the next election after 22 years. She would be a great loss.

No one standing close to the prime minister could have missed the sense of relief with which the words were uttered.

There is no doubt at all that Mr Major greatly admires the achievements of his predecessor. But there is no question of his impatient anxiety to walk out of her shadow.

He cannot step instantly into the light. Mrs Thatcher intends to play an "active part" at Westminster in the run-up to

the general election. Barring an extraordinary resurgence in the Conservatives' fortunes, that means she will brood on the back benches until 1992. She then intends to exercise her option of a seat in the House of Lords.

Mr Major must hope, though, that by joining the already large group of her most fervent supporters - who have announced their decision to retire as an MP she has diminished her capacity for destruction. The already absurd speculation among a few of her praetorian guard that she might yet return to Downing Street will no longer persuade even the most credulous.

The timing of the formal announcement could not have been more apposite.

Only three days ago Mrs Thatcher fired the House of Commons with a passionate denunciation of the federalist

ambitions of Britain's European partners. She offered her full support for her successor - but only if he wore the straitjacket of national sovereignty that contributed so much to her downfall.

Yet in Luxembourg Mr Major was already loosening the buckles. Mrs Thatcher had made clear on Wednesday that for her, keeping Britain in the mainstream of Europe meant keeping it at the "centre of the battle". For Mr Major, as he indicated in the negotiations yesterday on economic and monetary union, it means keeping it at the centre of the inevitable compromise.

There was no open retreat from the fortifications dug by his predecessor, but the subtle shifts in the language of the British delegation pointed the way to the ordered withdrawal.

The "hard Euro" plan which Mr Major once persuaded Mrs

Thatcher to table as a halfway positive alternative to the Delors blueprint for monetary union is being put aside as he considers more conventional routes to a single currency.

The prime minister seems ready to accept a published timetable for sterling's absorption into a single currency as long as the dates are "indicative" and Britain is given a "let-out clause".

For Mrs Thatcher, who appears to regret even her decision to take sterling into the exchange rate mechanism, that amounts to capitulation. She believes that the coinage that has served Britain well for 700 years should survive for another 700.

The concessions that Britain will be forced to make if it is to be part of an agreement on political union are still more abhorrent. Even if Mr Major persuades his partners to drop

any reference to a "federal" destiny, they will insist on the widening of the community's competence to which she is so passionately opposed.

In her interview yesterday there was more than a hint that she saw her announcement as a passport to speak more, rather than less, frankly about her alternative vision of a Europe of nation states. Her capacity to grab the headlines and expose the divisions in her own party over Europe will begin to diminish.

Mr Major cannot be sure, though, that it will give him enough margin of manoeuvre to strike the deal he must at the Maastricht summit in December. Mrs Thatcher, he commented, was a "formidable politician who has spent the whole of her life fighting for Conservative victories".

He must hope she does not change now.



Feeling blue: a delegate at the Tory women's conference wipes her tears on hearing of Margaret Thatcher's decision

Thatcher's departure provokes job offers

By Simon Holberton

MULTINATIONAL companies are lining up for the privilege of having Mrs Margaret Thatcher sit on their boards of directors.

The former prime minister may no longer be able to find a role in helping run Britain, but her name in London says she is being actively sought by multinationals.

Egon Zander, the Swiss headhunter, has been engaged by a number of big companies, some American, to secure the services of Britain's longest-serving prime minister this century.

Mr John Grumbar, head of Zander's London office, said the company would have no difficulty in presenting Mrs Thatcher with "a portfolio of extremely interesting appointments."

"We have clients who would very much like to talk to her. A number of world-class corporations would give anything to have her on their board. I don't have a blank cheque but I do have several requests."

Mr Grumbar said the demand for Mrs Thatcher's services probably exceeds the amount of time she would want to commit to corporate management. But, for one day's work a month per appointment, she could expect to have a personal jet laid on together with appropriate security arrangements and fees in the many tens of thousands of pounds.

Other headhunters expressed reservations about Mrs Thatcher's value to companies today. One said: "Her personality may be deemed too strong and distinct for managers in today's marketplace where flexibility and team work are valued highly."

Tories mourn for 'nation's mother'

By Ivo Dawney, Political Correspondent

EVEN AMONG the most doggedly no-nonsense Tory ladies there were some damp eyes.

When Mr Chris Patten, the party chairman, read out Mrs Thatcher's brief announcement to the 1,000 delegates to the annual women's conference in London, the gasp was of genuine pain.

But that remarkable regiment of Tory womenhood - accustomed to soldiering on whether through electoral defeat or rained-out fêtes - is as short on public displays of sentiment as it is long on stiff upper lips.

Composure and seeing the bright side were not far behind. "You can't turn back the clock," was the practical view of Mrs Joy Phillips from Dorset. "Nature abhors a vacuum and she will contribute to the future."

In spite of that, Lady Olga Maitland, founder of the pro-nuclear Women and Families for Defence group, admitted there

was still some residual resentment to the male-dominated parliamentary party which had contributed to the demise of the "mother of the nation".

Just a few hundred yards away in the nearly deserted Commons, some Tory MPs were nevertheless confessing to lumps in their throats. "She just doesn't want to rain on John Major's parade," said Mr Ivan Lawrence, MP for Burton. "There are other pinacles to climb and she's too big for the back benches."

One senior cabinet minister associated with the Euro-sceptical wing of the party confessed his sadness, adding: "She will become a declining force now."

Official Torydom paid fulsome tributes. Mr Patten described his former leader as "one of the greatest prime ministers in British history." Her three administrations reversed Britain's decline, he said. "It is imperative we safeguard those achievements. She will still have a formidable role

to play on the world stage with her unrivalled experience of international affairs."

Even so, evidence of a potentially disorienting "Thatcherite" faction also surfaced among the tributes. Mr Norman Tebbit, the former party chairman, praised his old friend and colleague for "exercising" the spectre of Britain as ungovernable, adding: "In time, perhaps before long, it will be her vision of Europe which will be seen to be right."

From the opposition, Mr Paddy Ashdown, the Liberal Democrat leader, was the most generous. "I have fought her tooth and nail and disagreed with her policies, but I think the House of Commons will be poorer without her."

For Labour, Mr Neil Kinnock's eye did not falter from his lifetime's objective of being Mrs Thatcher's successor but one as tenant of Number 10 Downing Street. "I think," he said with acerbity, "that we will take Finchley."

Patten makes his pledges to Tory women

By Alison Smith

THE TORIES will not manipulate the economy to generate a pre-election boom, but they will wait to call the election until there are signs that their economic policies are working, Mr Chris Patten, the Tory party chairman, said yesterday.

Mr Patten repeated the government's forecast that there would be the beginnings of a "slow and sustainable" recovery in the economy in the second half of the year.

However, he gave a warning that he would not pretend that "we are going to come galloping out of this recession at breakneck speed."

Mr Patten told the Tory women's conference that the government was "not going to put at risk the long-term strength" of the economy.

He said: "We are going to win the next election by taking the right decisions, by sticking to the right decisions and by starting to see those deci-

sions pay off before polling day."

Mr Patten also offered a sustained tribute to Mr John Major's leadership qualities, both during the Gulf war and in tackling a range of domestic policies such as replacing the poll tax.

He knew, he said, that the prime minister would come out of the negotiations on the future of the EC with "a deal that is good for Britain and good for Europe, because he's a

man who gets things done."

Mr Patten won an enthusiastic standing ovation for a speech that included an extended attack not only on Labour in general but on Mr Neil Kinnock, the Labour leader, in particular.

Commenting on the women's organisation of the party for continuing to work instead of occasionally panicking, Mr Patten added: "I hope the rest of the party takes your example to heart."

Conduct of banks to be studied

BRITISH Chambers of Commerce, the organisation which represents local chambers, is to order a study of banks and business relationships in light of the recent row about bank charges for small companies, David Laseles writes. It will be conducted by the Department of Business Studies at Birmingham University, and will be completed by October.

Heseltine warns on council competition

By Richard Evans

A CAMPAIGN against local authorities that fail to inject competition into local services, and an early extension of compulsory competitive tendering into professional services was signalled yesterday by Mr Michael Heseltine, the environment secretary.

He said that against detailed research evidence on the benefits of competitive tendering, it was "unacceptable that a minority of authorities should devote so much effort to depriving their citizens of

the benefits of competition."

Mr Heseltine told the annual conference of the Association of District Councils in Brighton: "We know about the delaying tactics - slow or over-elaborate contract specification, questionable treatment of redundancy costs... and even allegations of blatant cheating. We will not permit these abuses to continue unchecked."

He accepted that most of local government took a more positive view and was ready to

build on the experience gained.

"Now it is time to see how we can extend the benefits of market forces into the professional and white-collar services," he said.

Some local authorities were already making progress on their own initiative in areas such as computer services, property and housing management, he said. Other councils should be encouraged to follow that lead.

The government's intention was that the best-performing

authorities should be able to go about their business unencumbered, while those who failed to deliver would find themselves hamstringed. "If the poor performers are left feeling like puppets on a string, they have only themselves to blame," Mr Heseltine warned.

The theme of his speech was that the local government reforms were not a move towards concentrating power at the centre, but were about pushing power out from local authorities to the people.

Cleveland jobs go

CLEVELAND STRUCTURAL Engineering, a Trafalgar House subsidiary in Darlington, County Durham, said yesterday it was seeking 50 white-collar volunteers for redundancy from a total workforce of 1,000. The company, formerly known as Cleveland Bridge, blamed the job losses on the depressed construction market and over-capacity.

Nursery proposal

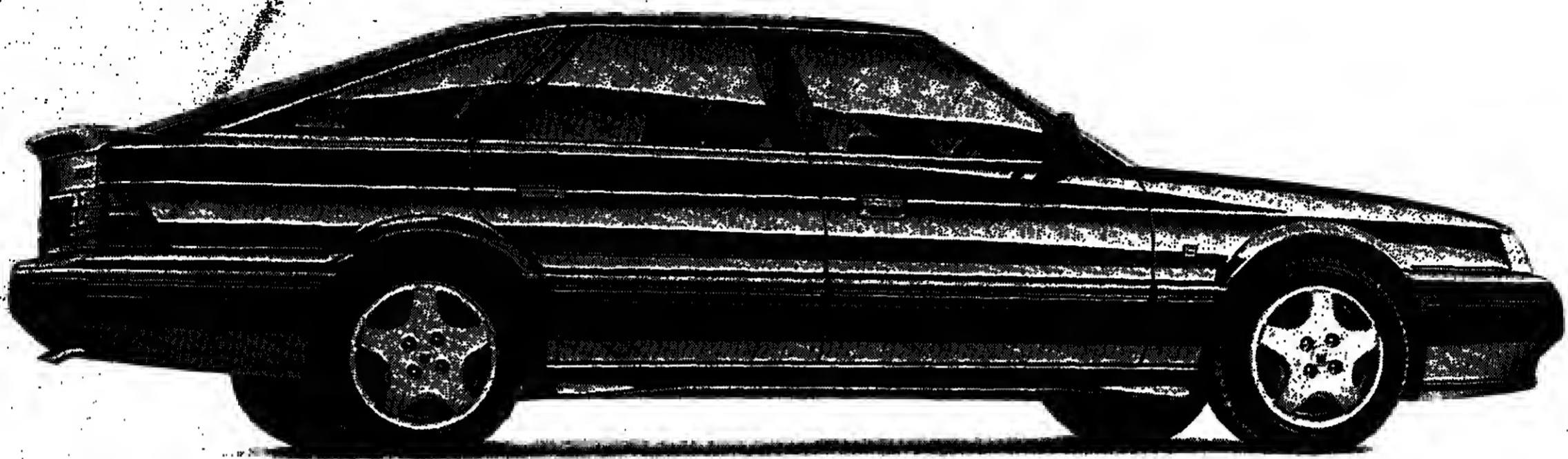
CHILD-CARE vouchers were the most flexible answer to the problem of looking after children, Mr Paddy Ashdown, Liberal Democrat leader, said yesterday. Tax-free vouchers provided by employers should be used to pay for care at nurseries or workplace creches, he added.

Incomes protest

INEQUALITIES in the incomes of men and women have widened under Conservative rule, with women's average earnings only 75 per cent of men's, Ms Jo Richardson, shadow minister for women, said yesterday.

She said lack of child-care facilities and poor maternity rights were worsening the position of women workers.

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Bothered banks

ONLY A decade ago the world's largest banks were regarded as pillars of financial solidity, incapable of plunging into loss. Today, in contrast, they seem to hover perpetually on the brink of trouble, with the result that expectations are rather different. When the TSB Group announced a £150m interim loss on Thursday the stock market scarcely blinked. At Wells Fargo, the Californian bank which revealed earlier this week that it was to make provisions of \$350m, the market reaction was admittedly more nervous. No doubt that reflected the extent of the blow to its reputation as one of the few impeccably managed banks in the United States. But it also served to underline the extent of the changes over the past decade. Even the best, it seems, are now accident-prone.

The question is why. The proximate causes of trouble are not difficult to detect. At the TSB, the losses were caused by the attempt of the group's merchant banking subsidiary, Hill Samuel, to build its corporate loan book at an over-valued rate just before the recession struck. In Wells Fargo's case, above-average exposure to highly-leveraged transactions and the problems of the troubled California property market were responsible. But do these two banks have anything more in common than having incurred losses when their respective regional markets turned sour?

At first sight, no. Wells Fargo's capital ratios are not strong. TSB Group, on the other hand, is still, even after its losses, well-capitalised. Its wider problem is that money has been burning a hole in its pocket since the government rushed through an ill-judged flotation in 1986. Even at the time, the danger that the TSB would lose money as it tried to find new outlets for a £900m capital injection was all too clear.

Worst disasters

Some of the worst disasters in banking have taken place precisely when a growth-hungry bank suddenly finds itself flush with new capital. The classic instance was Crocker National Bank, the Californian bank that Midland acquired in the early 1980s and subsequently sold to Wells Fargo after Crocker revealed on appalling set of bad debt provisions after another.

The dilemma of the over-capitalised is made worse because of the huge uncertainty that is taking place in the structure of banking. From being a cartelised industry with a semi-social service ethos, it has been transformed by deregulation into a competitive business.

The inherent conflict in banking between the requirements of prudence and the imperative of growth demanded by the stock market has sharpened immeasurably.

The main response of the regulatory authorities to the troubles of the bankers has been to impose tougher capital adequacy requirements, notably through the new rules of the Bank for International Settlements (BIS). Yet the mere fact that the two biggest banking loss-makers in the news this week were at very different ends of the capital spectrum suggests that capital is not an omnipotent discipline. It is added to the pressure at Wells Fargo to increase profits by taking on more risky business. It may even be counter-productive.

Portfolio concentration

Recent history contains little evidence that big banks collapse because they are under-capitalised. There was nothing wrong, for example, with Continental Illinois's capital ratios before it had to be rescued by the authorities in the biggest bail-out of the 1980s. The more frequent cause of trouble is portfolio concentration, whereby the bank puts too many eggs in one basket such as real estate.

At the same time the new capital rules are having some unexpected and unintended effects, bringing more capital into an overbanked market in some instances and forcing banks to shrink in others. Japanese banks' asset growth has been restricted by low share prices over the past year because the BIS's definition of capital includes 45 per cent of unrealised profits on securities dealing. This week bankers in Tokyo are understandably worried about the steepness of the stock market's fall after the resignation of the heads of two leading securities firms, Nomura and Nikkei.

One of the reasons why deregulation was so fashionable in the 1980s was, of course, that it is hard to get regulation right. Governments and central bankers are none too adept in their judgments about the banking market. It is worth recalling that one of the British government's objectives in floating the TSB was to increase competition in retail banking. Yet the impact was to increase competition in a wholesale banking market that was already too competitive.

With the banking industry in secular decline and profits under increasing pressure, the regulators have an even tougher job ahead. It can safely be predicted that banks will become more accident-prone, not less, as the 1990s progress.

Mrs Margaret Thatcher made history, became puffed up by the knowledge that she had done so, and is now being slowly waited towards the misty of memory. Her announcement that she will not stand again as candidate for Finchley blows her downwind, out of the House of Commons, into the valley of the shades, where the important ghosts of the formerly powerful sit as lords and ladies, humbled in exile. Another wisp of wind will carry her into a small courtyard of Brussels, where she will settle among a tribe of quaint little Englishers, fighting to the last against the unstoppable march of European history.

She will not, of course, see it that way herself. Rarely can a diva's ante-penultimate performance have received such rave reviews as did her passionate speech in the House of Commons on Wednesday. I was there, with my free ticket to the greatest show in town, and it was magnificent. It was not quite so chilling, perhaps, as Sir Geoffrey Howe's inaugural speech, which found its target in her heart. Nor was it so statesmanlike as the erudite address concluded by Mr Douglas Hurd just an hour before the lady herself spoke. It was nevertheless predominant. Hers is always a quality performance, uncompromising, sincere, driven. It raises the level of debate in a House that will be diminished by her departure. She is still a magnet. I wonder if she yet accepts that megastar fate.

Little of this can have entered her head when she said in 1972 that she did not believe there would be a woman prime minister in her lifetime. But no sooner had she said it than Opec quivered the price of oil, inflation took off, the government panicked, and the Conservative party began to crumble, a victim of its own follies. Mr Edward Heath, who had been prime minister on a programme that today would be called proto-Thatcherite, cut and ran in a famous "U-turn" back to the corporatism and incomes policies of the 1960s. Humiliated by the miners, whose strike knocked his government out, he was defeated in both February and October 1974 by Labour under the then Mr Harold Wilson. Between the two elections the Hudson Institute forecast that so advanced was the deterioration of the British economy that its living standards would soon fall behind those of Spain and Greece.

Out of office, the Conservatives were in some disarray. Who would lead them, and in what direction? The Heathites thought they were in the ascendancy, but this hard monetarism that began to appeal to Sir (now Lord) Keith Joseph was espoused by a small group within it. A series of political accidents led to the emergence of Mrs Thatcher as champion of that clique. In 1975 she made history by becoming the first female leader of the Tories. For the next four years this initially shy woman struggled to master her new job in opposition as successive Labour administrations kowtowed to the trade unions.

The warnings of the Hudson Institute began to ring true.

Mrs Thatcher's light has dimmed, but not winked out, writes Joe Rogaly

Fading of a megastar



Inflation was in double figures and rising fast. Soon, like any Third World nation after a fiscal binge, Britain was obliged to seek the assistance of the International Monetary Fund. During the winter of 1978-79, public service workers seemed to be on permanent strike. People doubted that Britain was governable. The Conservative election victory of May 1979 gave Mrs Thatcher a chance to show that it was.

She needed all her reserves of will, plus fresh reserves she possibly never knew she had, to overcome the patronising resistance of many of her colleagues in her first cabinet. She introduced the backbone of conviction into a previously flabby body politic. She tore into public spending, and into those of her colleagues who protested at the cuts. By 1983 inflation, which had peaked at 23 per cent, had dropped below 4 per cent. Meanwhile her own sense of self, and possibly the nation's sense of self-confidence, were bolstered by victory in the Falklands war. These achievements did not win her the support of a majority of voters, but she was returned to office in 1983, and again in 1987, assisted by a split in the Labour party and

the rise of the Social Democratic party.

Between those two elections she vanquished the National Union of Mineworkers. The victory was not only significant in itself; it also sapped the strength of the trade union movement, perhaps for the rest of the present century. One liberal economics policy after another was forced through, often by an act of this one woman's will. Privatisation, which began slowly with the National Freight Corporation, was steadily extended. Support for all industries was phased out. As the prime minister grew in strength, as she saw grown men quake in their boots in her presence, so, understandably, her sense of proportion began to desert her.

One of her closest colleagues said to me just the other day, "Margaret is 100 per cent sane and balanced, but she is not 100 per cent sane and balanced for 24 hours of the day, seven days a week." At their party conference of 1988 the Conservatives adopted the most pure Thatcherite programme to date; after the 1987 election victory her determination to implement it, poll tax and all,

helped to bring about her downfall.

So did her foreign policy. She travelled the world, at one moment advising President Gorbachev and at another instructing President Reagan. She fancied herself as the precursor of the 1988 counter-revolutions in eastern Europe. She seemed invulnerable. She won many famous rows within the European Community, one over the budget, another over the Common Agricultural Policy, but in due course her narrow nationalism became a diminishing asset. Under Mrs Thatcher, Europe split the Conservatives more deeply than ever had the corporation of Mr Heath, who took Britain into the EC. She lost a series of ministers, all victims of the great Europe debates. She shrugged the losses off: most damagingly that of her chancellor of the exchequer, Mr Nigel Lawson, and then, fatally, that of her foreign secretary and later so-called deputy, Sir Geoffrey Howe.

Now she aspires to live on her reputation, partly on permanent tour of the world's cities, ever meeting its great statesmen; partly as a focus for her opposition to European monetary union in general and the notion of a single currency in particular, eventually as a peeress. Few believe that she will win her anti-European battles, however hard she fights. She leaves the Tories more divided and demoralised than she found them. Her ability to damage them further, like that of Mr Heath since his own departure, remains strong if on a descending curve. The curve will probably steepen when she goes to the Lords.

Meanwhile her successor, Mr John Major, has one of the most difficult acts to follow in the history of political theatre. He possesses none of her characteristics but a wide selection of her beliefs that is why he was chosen. He has to endure the taunts of those who compare her flamboyance with his own plainness. His speeches, featureless as they are, seem all the more flat and dull when compared with hers. As she did between 1975 and 1979, he has to find new strengths, fresh talents, within himself. He has only a fifth of the time she took in which to do it. Meanwhile he must overcome her objections to his patient plodding through the machinery of European Community collaboration, just as she had to endure the sudden hostility of Mr Heath. The difference is that Mr Heath's popularity among Conservatives vanished with his leadership; here is a long time going.

Yet there is no apparent danger of a return to the 1970s. Economic liberalism is still dominant in Tory policy-making, although those who espouse it with conviction, the shop for the fuller-figured woman. The trade unions are still dominant; their membership declining. The Labour party has been thoroughly Thatcherised; it now poses as the source of fiscal prudence. It has abandoned unilateralism and socialism. Less to her taste, it has warmly embraced the notion of a closer union within the EC. As to the relative strength of the British economy, just watch those Spaniards.

Dressing down for Burton

Maggie Urry and John Thornhill on the retailer's rights issue

Burton Group's shareholders have seen it all in the past few years. In the mid-1980s the fashion group was hailed as one of the great success stories of the Thatcher era as it grew into the UK's second biggest clothes retailer under the flamboyant direction of its chairman and chief executive Sir Ralph Halpern. Its shares soared high on the back of seemingly ever-rising profits which reached a peak of £216.8m in 1989.

But yesterday Burton's shareholders were confronted with the full horror of the company's over-expansion and its disastrous foray into property development. Coupled with the impact of one of the worst recessions in memory, the group's shareholders now face total losses of up to £188.9m for the year to end-August.

Although yesterday's £161m rights issue was dressed up as a positive move to ensure the company could benefit from the eventual upturn in consumer demand, many pundits argued it bespoke more a desperation to survive than a desire to expand.

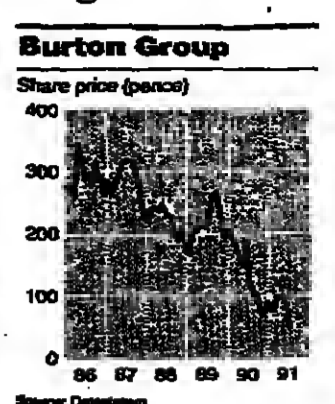
Mr John Smith, retail analyst at stockbrokers UBS Phillips & Drew, comments: "We do not see what else Burton could have done. We think they had to have a rights issue or in another three or four months they would have been in serious financial danger." Burton is now taking drastic action to improve its profitability. Its chain of 1,698 multiple shops is being rationalised with the loss of 1,350 jobs. A further 250 administrative jobs will go as part of a drive to reduce central overheads. Pay freezes have been imposed from the boardroom level down to junior and hourly paid staff.

Shareholders, with long memories may find the group's current problems all too familiar, for 15 years ago it looked as if Burton was going bust. By the 1970s, the company which was renowned for making cheap suits and running smoker rooms above its shops, had become a dowdy business. Many no longer wanted the made-to-measure suits churned out by the company's factories.

In 1983 Mr Ladislav Rice was brought in to revitalise the company, but he was replaced a few years later by Mr Cyril Spencer, who joined Burton when it took over Evans Outfitters, the shop for the fuller-figured woman.

Despite the succession of management changes, by the late 1970s profits were still collapsing. Eventually a boardroom coup in 1981 resulted in the departure of the chairman Mr Cyril Spencer and propelled Mr Ralph Halpern, then Burton's chief executive, into the top job itself.

Halpern's credentials were that he had built up the Top Shop chain, the business which pioneered Burton's move into the casual, fun fashion, teenage market.



Source: Datastream

In the first half of the 1980s, Halpern revived the company. Some new chains were developed, and even old names such as Dorothy Perkins, were given a more modern image. The rise in profits and the share price was significant.

But it was the acquisition in 1985 of Debenhams - by then a struggling department store group - that signalled the start of the decline in Burton's share value.

Problems were compounded by concern about a department of trade investigation into the Debenhams purchase as it, although nothing came of it, by investors' mistrust of Burton's accounting policies and its off-balance sheet activities; by the group's misjudged move into property development; and not least by the publicity surrounding Sir Ralph's personal life and his legendary salary.

Worst of these, in financial terms, was the move into property and particularly the development of five large shopping centres. Burton has written off around £254m of the £580m it committed itself to spend.

The great difference between Burton in the late 1970s and now was that, as Mr John Richards, the retail analyst now at County NatWest Wood-Mac, said at the time, Burton had 900p a share in assets. Sir Ralph used, some would say squandered, those assets to expand aggressively and did the same again with Debenhams' assets. It was a trick many retailers were playing in the 1980s.

But the worrying part, Mr Richards now says, is that Burton worked for short-term profits. It did not, he reckons, develop the chains to meet the needs of the 1990s. He believes the rights issue secures the group's financial position, but not its profitable future as a trading operation.

Shareholders look as though they will stump up, albeit reluctantly, the cash to ensure Burton's continued financial viability.

"We are not happy that the company got into this state and are particularly keen that in future it operates in the shareholders' interests rather than in the interests of a few managers," says one embittered fund manager.

A way out of Yugoslavia's mess

Anthony Robinson talks to Tito's old confidant and comrade-in-arms Milovan Djilas



Milovan Djilas (inset) and federal tanks in Croatia yesterday

Milovan Djilas knows what civil war means in Yugoslavia. He has been there before. As one of Josip Tito's closest collaborators in the 1940s he saw first-hand the carnage and retribution as Croat Ustasha and Serb Chetnik ethnic armies fought each other and Tito's communist partisans. In the midst of a bitter guerrilla war against Hitler's occupying forces, As Tito's confidant Mr Djilas was also party to the mass executions of Ustasha and Chetnik prisoners by the communists in the savage settling of accounts which followed the end of Nazi occupation and the collapse of the pro-Nazi Ustasha regime. Later, his chilling encounters with Stalin in Moscow contributed to the erosion of his communist faith. This led to Mr Djilas's estrangement from Tito, expulsion from the party, imprisonment and publication of his book, *The New Class*, which exposed the privileges and corruption behind the facade of the classless society.

This week, as fighting erupted in the rebel republic of Slovenia between the federal army and the Slovene militia, it began to look as if the spectre of civil war was returning to haunt the fractious Balkan federation. But Mr Djilas is convinced that the country will be spared a repeat performance. "Domestic conditions are not right for civil war and the international community would not permit it," he says.

Speaking by telephone yesterday from his home in Belgrade, Mr Djilas sounded surprisingly optimistic. He suggested Yugoslavia might well survive in a looser confederal form, despite this week's unilateral declarations of independence by Croatia and Slovenia. But if the country's army and politicians were unable to work out a peaceful compromise, he said, the western powers should intervene directly.

"There will be many serious clashes perhaps, but not civil war," he said. "There are minority groups which would like to provoke one, but there is a basic equilibrium in the

country, and most people are not inclined to follow nationalist extremists."

Mr Djilas also supports the army's attempt to preserve Yugoslav unity. "I believe the intervention of the federal army to protect the external borders of the Yugoslav state is a correct one. Slovenia's independence is unconstitutional and illegal. Of course they have a right to sovereignty and more autonomy. But they cannot leave without agreement with the other republics."

Until now, he argued, the federal army with its 70 per cent Serb officer class, has been acting as a Yugoslav army to preserve Yugoslavia. But western help will be needed to forge a compromise. "Diplomatic pressure and threats to withhold credits are not enough. I would like western governments to state that they would be prepared to deploy Nato forces if civil war does break out and the federal army is unable to contain it and find a compromise which would keep the country together. The danger is that if the Yugoslav army is unable to stop civil war the Albanians in Kosovo will rise up and other Moslem countries will get involved."

Orthodox Christian Serbia, an independent kingdom before the first world war, is obsessed with Kosovo, seen as the historic homeland of the Serb people. But it is not so much concerned with the fate of Catholic Slovenia, a small, ethnically homogeneous country of 2m people in the foothills of the Alps. Mr Djilas, himself a Serb from mountainous and traditionally warlike Montene-

gro, says: "I personally believe that Slovenia could become independent and leave Yugoslavia. Serbia has no real interest in Slovenia, and nobody, including the army, is against sovereignty for either Slovenia or Croatia. But Croatia cannot just leave Yugoslavia because there are over 20,000 Serbs in Croatia and another 1.5m in Bosnia-Herzegovina."

It was here - in the ethnically mixed border villages along the frontier between Serbia and Croatia, and above all in the ethnic melting pot of

Bosnia-Herzegovina, with its mountains, high plains and steep river valleys - that the worst ethnic carnage took place 50 years ago.

Bosnia is Yugoslavia in microcosm. Synagogue, minaret and bell tower mingle in the old streets of towns like Mostar or the Bosnian capital Sarajevo where a Serb nationalist, Gavrilo Princip, fired the shot which killed Archduke Ferdinand of Austria and sparked off world war one.

Now, the three great powers which clashed in 1914 - Rus-

sia, Germany and Austria - are busy trying to work out their own domestic problems. Internationally at least, said Mr Djilas, history is unlikely to repeat itself.

Instead the European Community and Yugoslavia's neighbours and fellow members of the 35-nation Conference on Security and Co-operation in Europe (CSCE) are considering arbitration. They will be able to invoke the CSCE formula, agreed in Berlin earlier this month, which allows them to mediate in border countries' internal disputes which threaten to disturb European security.

Mr Djilas believes that the outlines of a possible compromise are to hand in the proposals which, significantly, were made by the Bosnian President, Mr Alija Izetbegovic, at the last meeting of the presidents of the Yugoslav republics in Sarajevo on June 6.

In essence Bosnia proposed the reconstruction of Yugoslavia on confederal lines, which would recognise the desire of Slovenia and Croatia in particular for greater autonomy. Mr Djilas believes that Serbs, who until now have been seeking to preserve a federal state, must recognise the need for a looser confederation, while Slovenia and Croatia will have to agree that even a confederal state requires an efficient central government.

The problem, he says, is that Croatia and Slovenia insist that they would only be prepared to re-negotiate the terms of their relationship with Yugoslavia as independent states, essentially dealing with Yugoslavia as a foreign country.

One of the first acts of independent Slovenia was to put up new border signs saying "welcome to the Slovenian republic". They have since been torn down by the Yugoslav army. But it will surely be harder to force the Serbs to accept the use of the word "Slovenians" in the constitution essentially in order to prevent ethnic strife enveloping the Serbs. It is Serbs, after all, who are in command of the army which has just attacked them.

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ig down
burton
John Thorne
Burton Group

The accents will be a little more cultured than the average union conference, the style of dress more formal. But when representatives of the British Medical Association gather for their annual meeting at Inverness on Monday it will be as members of one of the most powerful trade unions in the country.

The BMA became a union in 1971, less than 100 years after the founding of the representative body of British doctors, to comply with the industrial relations legislation of a previous Conservative government. But it was more than once, in battles with government and once, in battles with the medical profession, that the BMA was forced to become a union.

Few ministers would yet boast that the government's National Health Service reforms have knocked the stuffing out of the doctors, as Tory legislation did out of other unions in the 1980s. Sorting out the doctors is not a declared part of the reform, but one intention is to make the medical profession more accountable. To achieve this the government must first do two difficult things - impose a new system of management on individual medical professionals and restore public opposition to the reforms.

As politicians have discovered throughout the century, doctors form an immensely powerful lobby. Lloyd George and Aneurin Bevan were both forced by the medical profession to compromise when introducing previous health reforms. This time the BMA's campaign of opposition, broadly supported by the medical royal colleges and other representative bodies, has done much to undermine public

As the BMA prepares for its annual conference, Alan Pike assesses its considerable political clout

Doctors in the front line



Other government ministers had trouble with the doctors: Aneurin Bevan, shown talking to the first NHS patient in 1948, had to compromise on earlier health reforms because of the medical profession's opposition

confidence in the reforms.

The government's aim is to make NHS management more efficient. The difficulty it faces is how will it impose their will on doctors?

Health ministers have traditionally found it difficult to impose their will on doctors. The doctors' efforts at blending the interests of their patients with the promotion of their own. This created bitter friction between the BMA and the last health secretary, Mr Kenneth Clarke, as he sought to prepare the way for the reforms. Mr William Waldegrave, his more conciliatory successor, who took over in November, restored diplomatic relations.

It looked as if the new-found cordiality might vanish in April, when the implementation of the reforms provoked political uproar and the BMA immediately renewed its vocal opposition to the changes.

Last week, however, Mr Waldegrave announced a remarkable departure: the establishment of a government-BMA working party to evaluate several aspects of the reforms, including "fund-holding". This is the scheme under which 300 GP budget-holders directly buy hospital treatment for their patients.

Dr Ian Bogle, chairman of the BMA's general medical services committee, says the idea of the government-sitting down with the BMA to evaluate its reforms would have

been unthinkable even a few months ago. It would be a pre-emption for Mr Waldegrave if he could announce that, as a result, the medical profession had stopped opposing central aspects of them.

Some BMA members are likely to criticise the leadership at Inverness for risking any discussions with the government rather than maintaining outright opposition. But BMA leaders still see hope of forcing the government to dilute controversial aspects of the reforms, such as

fund-holding. In any case, the risks are not one-sided. Mr Waldegrave will not wish to contemplate the pre-election prospect of the BMA leaders telling the television cameras that their efforts to persuade him to safeguard the NHS had failed.

Although Mr Waldegrave is committed to fund-holding, the BMA is not alone in believing that fund-holders' freedom to make their own financial choices may interfere with more generally acceptable aspects

of the reforms - including the health secretary's own plans for a national health promotion strategy. The government-BMA working party will look at possible modifications to fund-holding, and Dr Bogle has made it clear the association may flush up pressure for "the ultimate modification of packing it in".

As the BMA leaders and the health secretary eye each other with polite suspicion, the individual aspects of the doctors' problem have been highlighted by Mr Peter Grix,

chief executive of the Guy's and Lewisham trust in London. He told the Commons Health Committee this month that some of his 250 consultants spent too much time in private practice or on overseas trips rather than doing NHS work.

Such open attacks by top managers are rare, and Mr Waldegrave told the committee last week that past studies had not revealed a significant problem of under-performing doctors. "I don't want to leave the impression that I think there is a widespread scandal," he said.

Ministers hope arrangements to allow general practitioners to advertise and make it easier for patients to change doctor will keep GPs on their toes. The 10,000 consultants will have more detailed work plans included in their contracts. Medical audit - peer-reviewed of an individual's work - is being developed.

The problem of managing the doctors was spelled out this month by Mr Don Cruickshank, who has moved from the private sector to run the NHS in Scotland.

"Doctors are the heroes here. They do the business. They determine the culture. The activities of the service all stem from the relationship between doctor and patient. It is a magical relationship. Full of power. Often concerned with life and death."

General managers had been imposed on this structure and many

doctors believed that they could manage better without them. "Doctors don't get their rewards from managers but from their peer group - they are the most tribal of all groups in the NHS. Too often general managers seem to stand in the way of doing things rather than facilitating them."

Mr Cruickshank argues that it is impossible to overcome these problems by imposing a hierarchical management structure on doctors. Managers must employ more subtle skills of advocacy and leadership rather than control.

Doctors themselves are intended to become managers under the reforms, with responsibility for controlling resources. Some are responding with enthusiasm in the belief that this will extend medical professionalism rather than threaten it.

But there remains a widespread view in the profession and elsewhere that the NHS is seriously underfunded compared with other EC healthcare systems; this will be a central theme of next week's conference. No doctors want to become managers merely to be blamed for imposing cuts on colleagues.

There were cheers at a GPs' conference this month when delegates endorsed a motion declaring that the NHS was not safe in the hands of the present government.

Doctors have always been assumed to include many instinctive Conservatives in their ranks. Since the 1940s they have been influenced over their patients, the vote contains as serious a warning to the government as any recent opinion poll finding. It helps to explain why Mr Waldegrave would prefer to talk to the doctors rather than fight them.

Secret diary with the highest bidders

Finding the Russell Diaries is definitely a journalistic coup. Nobody knew that George Russell, chairman of the Independent Television Commission, was even keeping a diary about the awarding of commercial broadcasting licences - in most cases, to the highest bidder.

But Lord Dacre, the historian, has been convinced and has pronounced himself satisfied with its authenticity.

The bids were supposed to be top secret. When Russell and a few colleagues opened the envelopes of the 40 aspirants for the 16 commercial broadcasting licences last month, it was only to check that the thing was in order before they were locked away again.

The companies were not to know the value of each other's bids. The Stock Exchange was certainly not meant to find out. But there it is, in the secret diary of Russell, well, a lot of it. Some of the entries appear to be in code, and the actual size of most of the bids has obviously been recorded in a separate document for extra security. The first auctioneer to be involved in the mind-boggling range of the bids.

There are two factors behind the large bids. First, would-be publisher-broadcasters - companies that plan to commission programmes from independent producers and then sell them in-house - believe this is a cheaper way of making television. They can, therefore, bid more than the ITV companies with their fixed costs, studios and standing armies of staff.

Second, in the depths of the worst advertising recession since the early 1970s, some optimists forecast real annual growth in advertising revenues of 6 per cent a year over 10 years. Another view is that 2.5 per cent a year might be more sensible. If the optimists are right, there will be more money to underpin the bids.

The Russell Diaries are quite clear on another point. The "problem" of the publisher-broadcasters can be contained - they need not compete out most of the ITV companies. From these two revelations, several deductions are possible.

A few more fragments of diary help the process. The key points are in a rather transparent code. All you need to break it is the Sun's weekly television listings supplement. "The Street" obviously refers to Granada and its popular

It's a scoop on TV franchises, says Raymond Snoddy



drama, Coronation Street. "Ruth" has to refer to Ruth Rendell mysteries.

Three companies are already home and dry because they did not face a rival bid - Central, the second largest, Scottish, and tiny Border.

In ITV they are already calling these three "The Snuggs" as opposed to "The Glums" - all the other companies that do not know whether they will be in business on January 1 1992. If the Russell Diaries are interpreted correctly, four more ITV companies can join the Snuggs because they have put in the highest bids for their regions.

One is TVS, once seen as the most vulnerable ITV company because of its disastrous \$30m acquisition of the MTM production company in the US. TVS has done the only sensible thing and put in a ferociously high bid, underwritten by the media heavyweights Time Warner, Canal Plus and Associated Newspapers. Can it really be as high as \$50m?

Yorkshire Television, so the diary reveals, has also seen off its rivals, Viking and White Rose, publisher-broadcasters

backed by independent producers, with a high bid. Tyne Tees, 20 per cent owned by Yorkshire, has outbid a consortium led by Granada. And Anglia has outbid its main rival, Three East, so it will not have to rely on its Survival wildlife series to survive.

Curiously, there are absolutely no references to Richard Branson and David Frost, who together bid for three franchises - those held by Anglia, TVS and Thames. Does this mean they are not going to make it over the so-called quality threshold and, therefore, that their high bids will not be considered at all?

Granada have been outbid by Phil Redmond's Mersey Television - the difference looks like \$5m although there is a sludge in the diary - but Phil's business plan will not pass the quality threshold. It is a match, clear-cut thing for LWT, another ITV underbidder. But in the end, its rival, another publisher-broadcaster, London Independent Broadcasting, did not pass muster, at least if George's enigmatic note about Phil's bid is accurate.

George does not seem to have got around to the three companies bidding for the breakfast franchise - TV-am, Daybreak and Sunrise. He certainly hasn't confided an opinion to his diary.

The only losers have been the underdogs. Russell starts to cover his tracks more effectively here, and you have to read between the lines. But it looks as if Channel, the smallest of the companies, will fall to CUE - dubbed the Bengali bid because the actor John Nettles is involved. ETV will lose Wales and the west. A reference to wizards surely points to Merlyn Television.

As for Thames Television, currently showing Selling Hitler, the sign of the fraudulent deal, it has been outbid by Carlton Communications. But will the TTC use its "exceptional circumstances" to save the largest ITV company? Alas there's absolutely no sign of it in the diary. So it is time to get out of Thames' hands? Not yet. Lord Dacre has just called. He's not so sure about the diary's authenticity after all...

Victor Lewis was prepared to lose his shirt and his cutlery when he became a Name at Lloyd's. He was not expecting to be publicly pilloried if his investment turned sour. He is not a broken man: the sale of his publishing company seven years ago provides a cushion for the £200,000 cheque he must sign to cover this year's losses at the London insurance market.

But along with thousands of Names who must meet the £50m loss that Lloyd's announced this week, he is angry and preparing to sue the people who he says mismanaged the market.

Mr Lewis is not seeking to escape the "unlimited liability" clause he was warned about when he joined the market in 1986, two years before the disaster. He is not a broken man: the sale of his publishing company seven years ago provides a cushion for the £200,000 cheque he must sign to cover this year's losses at the London insurance market.

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For many of the Names whose wealth backs underwriting on the market, this lack of sympathy - including comments about "whingeing and bickering" from Mr David Colledge, the Chairman of Lloyd's - is almost as hard to swallow as the losses.

Mr Lewis is perhaps a typical Lloyd's casualty. Moderately wealthy and entrepreneurial without having any investors like him are "contaminable" people living the life of fat cats.

"Lloyd's Names have been humiliated," he said. "It is like we are pariahs, outcasts from society."

For many of the Names whose wealth backs underwriting on the market, this lack of sympathy - including comments about "whingeing and bickering" from Mr David Colledge, the Chairman of Lloyd's - is almost as hard to swallow as the losses.

Mr Lewis is perhaps a typical Lloyd's casualty. Moderately wealthy and entrepreneurial without having any investors like him are "contaminable" people living the life of fat cats.

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Richard Gourlay on the Names who are refusing to suffer in silence Lloyd's losers fight back

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Lloyd's losers fight back

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Mr Tom Benyon, disaffected Name, former MP and 'union' organiser

over his life. Many of the introductions to Lloyd's were informal. "The implication was it was an honour to be a Name so what were you asking questions for," says Mr Peter Walling, an investment manager who says he would not now recommend Lloyd's to anyone. "There have been 300 years of no proper regulations."

Perhaps the most worrying aspect is how some agents appear to have shored up Names on to suspect syndicates. Many new Names are angry that they figure so prominently on so-called excess of loss syndicates which have been particularly hard hit. Two of the troubled syndicates, Gooda Walker and Feltrim, are accused of not having ade-

quate reinsurance in place when the Piper Alpha oil rig exploded in 1988. "My agent told me I had luck: I call it bad underwriting," says Mr Alan Buckley, an insurance broker with losses of £20,000.

More sinister than charges of incompetence is the suspicion that market outsiders and insiders have not had equal access to the good syndicates. Mr Tom Benyon, the former Tory MP and a suffering Name, has questioned how market insiders have almost entirely avoided some troubled syndicates.

"I feel we were cannon fodder," says Howard Kenton, whose wealth guarantee to Lloyd's is backed by his only home, which he could soon lose.

The view was shared by a seasoned insurance broker as he watched Names stream into Richard Rodgers' futuristic building on Wednesday to hear Mr Colledge warn of worse losses next year. "These people are like lambs to the slaughter, they were carried away by the whole atmosphere of the place."

The response from Names has been to organise. They say the task force led by Mr David Bowland, the chairman of Sedgwick Insurance Group, and advised by McKinsey, the management consultant, will at best deal with the future. Their problems are immediate.

Members from at least seven syndicates are suing their agents for negligence. Another has taken Lloyd's itself to court for the first time in history.

And next week, Mr Benyon will officially launch the Society of Names, a union of fighting Names, which will pool resources for more concerted legal action against Lloyd's agents and possibly the corporation. He has a large potential membership. Nearly 40 per cent of Lloyd's entire list of 26,500 Names are connected with groups considering litigation.

And the temperature is unlikely to fall as some broken Names consider using their last assets for legal actions rather than payment of Lloyd's debts. "Who knows we may end up in years meeting in a gentleman's club like First World War veterans," says Victor Lewis. "But we are getting angrier and angrier and we are not going to go away."

The more likely source of pension security

From Mr Alan Smallbone.

Sir, Your leader ("Equal pension", June 27) expresses concern that firms may abandon "final" pay schemes in favour of money purchase arrangements, on the grounds that these provide uncertain benefits.

But final schemes provide predictable pensions only for those who stay with the same firm for decades and only then if they are allowed to remain until normal retiring age; most schemes' members do not.

As the OFB report (Grand

6642; Note 1 Chap 9) recorded, fewer than 25 per cent have anything approaching adequate pensions. For the 90 per cent who cannot be sure of lasting the course, 30 years of 10 per cent of annual pay contributions to a firm's (or succession of firms') defined contribution scheme are far more likely to provide security than the appalling benefits paid to "early leavers" in the private sector.

Alan Smallbone, 90 Temple Row Lane, London NW11 7UD

Alcohol consumption dangers in abolishing EC fiscal frontiers

From Mr Tony Humphris.

Sir, David Buchan's report, "European Dream Begins to Take Real Shape" (June 26), correctly states that the proposals for the abolition of fiscal frontiers will result in no changes in VAT and excise duties in the UK.

However, the agreement has wider implications in the scrapping of the Commission's earlier proposals for "target" rates of excise duty. These would have resulted in considerable reductions in prices for beer, wine and spirits, and, even if phased in over a period, this would have resulted in at least a 25 per cent rise in alcohol consumption and a corresponding rise in alcohol-related harm. Previous trends suggest a further 8,500 deaths could

have resulted from alcohol-related causes by the year 2000.

However, the proposed minimum rates are still far too low to meet public health concerns, compounded by the chancellor's policy of over duty rates on whisky. The cynical insistence on maintaining existing high rates in the UK and the lowest possible levels in southern Europe may suit our whisky exporters, but could lead, in the absence of continued border spot-checks, to a wider problem of smuggling of alcohol from lower to higher excise rate states. Without safeguards, the agreement could prove unsustainable.

Tony Humphris, director of public affairs, Alcohol Concern, 305 Gray's Inn Road, EC1

Equality of tax treatment only is aim of Scotch whisky industry

From Colonel H F O Bewsher.

Sir, In the Lex column of June 25 the most appalling ignorance is shown in referring to the "special pleading" of Scotch whisky concerning the proposal to "agree minimum rates of excise duty on alcohol" thereby pushing up the price of Scotch whisky in Mediterranean markets by £2.50 a bottle.

As Lex should know, the proposal does not relate to alcohol but only to spirits. A zero minimum rate is proposed for wine. Far from "special pleading", the Scotch whisky industry argues only for equal treatment. The UK is the only major spirits exporter in the EC and our government should demand equal treatment with other alcoholic drinks. That is,

all alcoholic drinks should be subject to the same minimum rate of duty per degree of alcohol.

Let us put the boot on the other foot. Can you imagine the French accepting a zero minimum rate for spirits and a high rate for wine? Wine would be defended, as they might put it, "jusqu'à la dernière cartouche".

We would have expected Lex to have been able to recognise that UK producers are being denied a level playing field. A failure to do so risks material damage to the UK's national interest.

H F O Bewsher, Director-general, The Scotch Whisky Association, 17 Hatfield Street, London W1

At odds or in sympathy with the opinions of the critics

From Mr Bruce Jefferson.

Sir, By all means let critics criticise. Please let us discourage them from misinforming. David Murray (Arts, June 26), as well as complementing the RPO and Andre Previn on a performance of Dutilleul's second symphony, suggested that the audience was short-changed by not hearing Walton's Belshazzar's Feast. In fact, for two months prior to the concert, the programme was advertised and performed as such.

When changed, the excellent South Bank box office wrote on May 4 to all ticket purchasers informing them of the alteration and announcements were sent to all relevant media.

Perhaps the critic, neither reading newspapers nor actually purchasing a ticket, was the only member of the audience who was surprised by events.

Bruce Jefferson, head of marketing, Royal Philharmonic Orchestra, 16 Clarendon Green, London EC1R 0DP

From Mrs S L Russell.

Sir, Malcolm Rutherford's review of Harold Pinter's The Caretaker (Arts, June 26) absolutely made my day.

I also want to see the play and, like Mr Rutherford, have not seen anything so dreary, depressing and pointless for a long time. Yet, most critics seem to fall over themselves in praising it.

It is almost like an epidemic - you must blindly praise Pinter, regardless of the plays he writes. It was so refreshing to read Malcolm Rutherford's words of common sense.

I also saw The Homecoming, and at least something happened in that, but what Pinter knows about women can be written on my little finger nail.

S L Russell, 5 Buxley Shaw, Ashted, Surrey KT21 2WP

Fax service

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UK COMPANY NEWS

Davies & Newman seeks £40m

By Jane Fuller

DAVIES & Newman, the parent of Dan-Air which negotiated a stay of execution with its bankers last October, is seeking £40m by issuing loan stock to plug its next working capital gap.

Mr David James, the company director who has run the group since November, described the quest for new investors as "Rescue Part II".

"It was inevitable that we would have to recapitalize," he said.

The recapitalization plan was announced alongside a pre-tax loss of £38.72m for 1990, compared with a £3.1m deficit in 1989. The loss per share was 38p (38.4p loss) and there is no dividend (8p).

Mr James blamed the Gulf crisis, which had cost £15m to £20m between September and this spring, and the collapse of the winter holiday market - not even the pigeons were flying last November.

Interest costs were £9.74m (£9.14m). The group first extended its bank loan facility from £40m to £58m in October, and added another £12m in February to cover its spring peak. In December, however, it stood at about £60m, for three shareholders' funds of £15.09m (£40.98m).



David James: blamed the Gulf crisis and collapse of the winter holiday market for losses of £38.72m

Mr James said the latest debt figure was £92m, helped by £27.5m rolling in from the sale of Dan-Air Engineering.

The borrowing arrangement with the banks, led by Lloyds, runs until the end of the year.

Mr James said: "I have to secure new finance and a continuation of the borrowing

facility to get through next winter."

As more than 70 per cent of the equity rested with five groups of shareholders, including the Newman family, a conventional rights issue did not seem appropriate.

The search for new investors was concentrating on City institutions familiar with the

aviation sector. The most likely instrument was unsecured convertible loan stock, which would rank ahead of the ordinary shares.

One factor that might deter new investors is the £3.75m minimum fee that the banks were due to get on December 31, as part of the agreement reached with them last October. This was in addition to interest payments and could have risen to £15m or more.

So that new money will not be used to pay off the banks, they might be asked to convert that fee into loan stock.

Mr James said he was "not entertaining the possibility of failure" in the recapitalization. But if there were unforeseen circumstances, the alternatives included merging Dan-Air with another airline or selling it.

The 38-jet airline was switched to the emphasis of a rapid recovery. "The continuation of extremely difficult trading conditions is such that no improvement in the prospects for the group can yet be expected."

Sales in the half year to March 31 were £42.2m, compared with £19.2m. "We have slowed down because of the lack of sense in selling buildings that are half completed," said Mr Osborne.

There are unlikely to be major disposals until next financial year. "We shall look very different in 12 months time."

The slower rate of disposals and the continued expenditure to finish buildings have marginally increased overall borrowings, which stood at £38m at the year end.

Mr Osborne said that his banking relationships were good on all loans. "There is no difficulty with the bankers," he said.

The pre-tax loss, which compared with profits of £6.1m in 1989, was £38.72m. "We have provisions of £17.1m."

The latest plunge in Speyhawk's share price follows sharp fluctuations earlier this year, when the shares rose from a low of 8p in January to 15p in March, as the company produced better-than-expected results.

The shares, which yesterday fell from 50p to 25p, are now at their all-time low, reflecting concern about the company's future if it has difficulty in letting and selling its large schemes.

"The jury is still out," said one analyst. "They are in with a chance [of survival] if they go on selling."

There was a loss per share of 45.5p (earnings 15.7p). Last year there was an interim dividend of 3.5p.

Speyhawk shares drop 42% on midway loss

By Vanessa Houldier, Property Correspondent

SHARES IN Speyhawk, the property developer, yesterday lost 42 per cent of their value after the company announced an interim pre-tax loss of £10.6m and said it was passing its dividends, including that on the preference shares.

Mr Trevor Osborne, chairman, held out little hope of a rapid recovery. "The continuation of extremely difficult trading conditions is such that no improvement in the prospects for the group can yet be expected."

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P&O in talks to buy Trafalgar House's cargo shipping side

By Richard Tomkins, Transport Correspondent

THE PENINSULAR and Oriental Steam Navigation Company is at the final stages of negotiations to buy the entire cargo shipping operations of Trafalgar House, the construction and shipping group.

If agreed, the deal will consolidate P&O's position as by far the biggest British-owned container shipping company and will leave cruise shipping as Trafalgar House's only maritime activity.

P&O and Trafalgar House both refused to confirm or deny that the negotiations were taking place.

The cash deal - likely to be financed partly through a tender placing - would result in the transfer to P&O of the

assets and businesses of Ellerman, a Trafalgar House subsidiary with worldwide container shipping operations.

One analyst put the likely value between £50m and £100m.

Ellerman's prize asset is the Atlantic Conveyor, a modern container ship worth up to £40m (£24.7m).

It owns four other container ships and a small tanker, and also co-owns 11 container ships with other shipping companies.

Ellerman is a member of several consortia offering regular shipping services to the Mediterranean, Australia, the Arabian Gulf, South Africa and East Africa. Most of these are

consortia in which P&O also has a stake.

P&O's motives in negotiating the deal are likely to be the further increase in its market share on existing routes and the rationalisation of surplus capacity.

This will inevitably create fears of further cutbacks in the UK fleet, with consequent losses of jobs for British seafarers.

Trafalgar House entered the shipping business through its acquisition of Cunard in 1971 and the purchase of Ellerman Line in 1977. It also tried to take over P&O in 1985, but P&O's chairman, Lord Sterling, led a successful defence against the hostile bid.

S Wales Elec under pressure as Welsh Water lifts holding

By Clare Pearson

WELSH WATER has lifted its stake in South Wales Electricity to 14.9 per cent in an apparent attempt to put pressure on the smaller utility.

It is agreed to the plans for close co-operation in managing the water and sewerage services, which has repeatedly rebuffed Welsh's advances, yesterday said he was "amazed" and "shocked" at the move.

Welsh has bought the shares despite intense political controversy over diversifications being made by the water companies, charged under their licences with massive capital expenditure to improve water and sewerage services.

In a statement, Welsh said the investment had been made by the plc and the finances of the regulated subsidiary would be "in no way affected" by it.

It bought the extra 4.9 per cent stake at 260p a share for a total paid cost of £20m after taking into account further instalments. SWE's shares

closed up 6p at 254p and Welsh's down 6p at 260p.

This month the Office of Water Services (Ofwat), the regulatory body, announced plans for a change in the water companies' licences to prevent the core water and sewerage services being affected by diversifications.

Yesterday Ofwat said it had been informed of Welsh's move and it appeared to meet the new criteria.

Welsh's investment in SWE has raised fears that it hopes to become "Wales plc" through a full takeover, although considerable obstacles stand in the way of such a step.

Until 2000, there is a 15 per cent shareholding limit that can only be waived by holders of 75 per cent of the shares. Even if they agreed to a merger, a golden share gives the secretary of state for energy power of veto until 1995.

See L26

Walker may survive next week's removal attempt

By Maggie Urry

THE COMMITMENT of Brent Walker's banks to a speedy removal of Mr George Walker from the latter's group's board appeared to be weakening yesterday in the face of legal moves by Mr Walker.

On Thursday, the former chairman and chief executive of the heavily-borrowed company, served with notice of the group's leading banks saying he was applying for a High Court injunction to stop them making his dismissal as a non-executive director a condition of approving a financial restructuring of the group.

Bankers said yesterday that if Mr Walker got his injunction on Monday, or if he managed to muster sufficient votes to defeat a special motion to remove him at a meeting on Tuesday, that would not stop the restructuring going ahead.

The motion on Tuesday

needs to be supported by 75 per cent of those attending and voting to deprive Mr Walker of his seat. Motions will also be put to remove Mrs Jean Walker and Mr John Hemmings from the board.

If Mr Walker survives on Tuesday, it would be a short-lived victory, one adviser to the company said yesterday.

Further motions would be put at a later shareholders' meeting which would require only a 50 per cent majority to remove the three.

Bankers said yesterday that the process of restructuring was well advanced. The restructuring of the 47 banks which had lent to Brent Walker and the dozen lenders to William Hill, the company's bookmaking business, had slowed while the legal wrangling took place.

Brent Walker's shares fell 1p to close at 27p.

Anglia TV falls to £3m as advertising recession bites

By Raymond Snoddy

ANGLIA TELEVISION yesterday became the latest ITV company to reflect the deepening advertising recession with the announcement of a 62 per cent fall in pre-tax profits for the six months to end-April.

The fall, from £8.08m to £3.07m, was struck from turnover ahead from £90.48m to £85.63m.

Advertising revenue declined to £52.22m (£54.63m) and levy payments to the Exchequer accounted for a lower £24.7m (£31.6m).

Anglia's share price fell by 8p to 146p on the results and other television industry shares were hit.

Sir Peter Gibbins, Anglia's chairman, said advertising revenue had suffered very severely from the recession although the company's share of the industry total had increased marginally.

He warned that there was no sign of any upturn in advertising revenue.

The interim dividend is being maintained at 2.8p from earnings of 4.35p (1.91p). The tax charge was reduced from £2.5m to £1.2m.

Revenue from the sale of programmes was more than doubled to £10.28m.

There was also an extraordinary net profit of £1.34m mainly because of the sale of television interests in Hong Kong.

Anglia, which faces two rival bids in its battle to retain its franchise - The East, backed by Emap, and CLT of Luxembourg and the Frost/Branson CPTV - said it remained confident it would win.

The company is changing its year end from October 31 to December 31.

MONTHLY AVERAGES OF STOCK INDICES

	June	May	April	March
Financial Times	53.74	54.55	55.13	54.78
Government Securities	53.74	54.55	55.13	54.78
Food Index	53.74	54.55	55.13	54.78
Ordinary	53.74	54.55	55.13	54.78
Gold Mines	53.74	54.55	55.13	54.78
SEAQ Bargains (446pm)	53.74	54.55	55.13	54.78
FT-Achievers	53.74	54.55	55.13	54.78
Industrial Group	53.74	54.55	55.13	54.78
300 Shares	53.74	54.55	55.13	54.78
Financial Group	53.74	54.55	55.13	54.78
All-Share	53.74	54.55	55.13	54.78
FT-SE 100	53.74	54.55	55.13	54.78
FT-SE Eurostock 100	53.74	54.55	55.13	54.78
Highest June close	53.74	54.55	55.13	54.78
Lowest June close	53.74	54.55	55.13	54.78
Ordinary	53.74	54.55	55.13	54.78
All-Share	53.74	54.55	55.13	54.78
FT-SE 100	53.74	54.55	55.13	54.78
FT-SE Eurostock 100	53.74	54.55	55.13	54.78

LONDON RECENT ISSUES

EQUITIES											
Issue Price	Amount Paid	Latest Bid	1991	Stock	Change Price	1990	1989	1988	1987	1986	1985
		Low	High								
\$100	P.F.	107	107	Alloy Petroleum M. Co.	103	-1	\$12.50				
100	P.F.	108 1/2	108 1/2	Alloy Petroleum M. Co.	103	-1	\$12.50				
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100	P.F.	108 1/2	108 1/2	Alloy Petroleum M. Co.	103	-1	\$12.50				
100	P.F.	108 1/2	108 1/2	Alloy Petroleum M. Co.	103	-1	\$12.50				
100	P.F.	108 1/2	108 1/2	Alloy Petroleum M. Co.	103	-1	\$12.50				

INTERNATIONAL COMPANIES AND FINANCE

Fiat says reverse will top market's worst forecasts

By Haig Simonian in Turin

FIAT, the Italian automobile and industrial group, yesterday confirmed that net group profits this year would fall below the L1,613bn (\$1.21bn) earned in 1990. However, it said earnings would not drop to the L700bn-L800bn level predicted by some analysts.

The company said sales in the vehicle business had been highly volatile, making a full-year profits forecast particularly difficult this year.

Group turnover was expected to rise by around 5 per cent to L60,000bn, from L57,000bn in 1990, as a result of the sale of the Telettra telecommunications business and the inclusion of the Enasa trucks and Ford New Holland tractors businesses.

Fiat executives based their bullish profits forecast on the fact that group pre-tax earnings in the first four months of this year amounted to

L1,004bn. Moreover, Fiat's core automobile business had been "in profit" over that period, they said.

However, the figure is well below Fiat's L1,415bn gross profits for the same period in 1990. Moreover, about half the January-April 1991 result comprises non-recurring items, principally stemming from the sale of Telettra and Enasa, a subsidiary of Fiat's Magneti Marelli operation.

By contrast, only about L1,000bn of last year's January-April figure was made up of extraordinary items, a senior executive admitted.

In Italy, Fiat's group market share had fallen to around 47 per cent in the first five months of 1991, with stable Alfa Romeo and Lancia sales failing to make up for lost ground by the Fiat marque.

By contrast, sales to other European countries had risen

by 7.5 per cent in the same period.

Mr Gianni Agnelli, Fiat's chairman, predicted that Japanese makers would capture around 5 per cent of the Italian market by the end of the decade, against negligible sales today. Half of their share would come out of Fiat's market share, he said.

Despite the continuing sales slowdown, Fiat is maintaining its ambitious investment plans, with annual spending of some L5,000bn.

However, heavy investment spending, falling sales and an equity buy-back programme would continue to bite into working capital.

Fiat's net group liquidity, which plunged to L5,700bn at end-December 1990 from L1,551bn at the same time the previous year, is expected to tumble to broad parity by the end of this year.

Davy stake leads to write-offs at Spie

By George Graham in Paris

SPIE Batignolles, the construction and plant engineering division of France's Schneider group, has made provisions of FF1,000m (\$150m) on its investment in Davy Corp, the troubled British engineering group in which it owns a 14.7 per cent stake. In addition, it will have to write off another FF120m if it accepts Trafalgar House's offer for the company.

The French company acquired its stake 15 months ago at a price equivalent to 25p a share in exchange for its Clermont metallurgical engineering subsidiary, Trafalgar House is offering 90p a share, valuing Davy at \$114m (\$17m).

Mr Georges de Buffevant, Spie's chairman, is waiting until he has seen the details of Trafalgar's offer document before he makes up his mind, but he is widely expected to accept the offer.

Spie warned shareholders at its annual meeting that the Davy write-off, as well as the economic climate and doubts over the payment of some of its contracts, meant 1991's profits would be well down on last year's net of FF251.4m.

Among the problems facing the company are the Channel Tunnel, where cost overruns are still in dispute between Eurotunnel, the operating company, and Transmanche Link, the contractors' consortium to which Spie belongs.

The company also has problems with contracts in Iran and Venezuela.

The 1990 results include an exceptional profit of FF36m on the transfer of the Clermont stake to Davy.

Separately, Spie, the holding company of the Schneider group to which Spie belongs, announced net profits of FF88m in 1990, down 11 per cent on the previous year.

Club Med falls into the red

By George Graham

THE IMPACT of the Gulf crisis on tourism, particularly in north Africa, has pushed Club Med, the French holiday company, into a first-half net loss compared with a profit of FF116.6m in the same period a year earlier.

The figures include a loss of FF36m for Groupe Minerve, the charter airline of which Club Med owns 50 per cent.

Club Med said on a constant basis of consolidation it would have shown a net loss of FF49.3m for the first half. Sales fell 7 per cent to FF3.38bn.

America West files for Chapter 11

By Nikki Tait in New York

CASUALTIES in the US airline industry continued to mount yesterday as America West, the Phoenix-based regional carrier, announced it had filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code.

America West - one of the new non-union airlines which started operations in 1983 following the industry's deregulation - is the fifth carrier to seek bankruptcy protection. Eastern Airlines, which has now ceased operations, filed under Chapter 11 in 1985; Continental, Pan Am and the smaller Midway Airlines all followed suit over the latest winter months.

Like these forerunners, America West claimed the purpose of bankruptcy filing was to allow it to reorganise its finances, and to "realise its assets and revise its organisational structure". It stressed that its service would not be affected.

Fears that the airline could be headed for the bankruptcy courts have mounted recently after America West sought first to defer lease payments on its aircraft and then said it would omit certain bond payments due on July 1. Yesterday's news, however, still drove its shares down by a further \$1 1/4 to just \$2.

Discussions with bankers and lessors have been underway for some time. In April, America West posted a first-quarter loss of \$48.9m, and filings with the Securities and Exchange Commission showed it had violated bank covenants requiring it to carry certain amounts of unencumbered cash.

In June, the company suggested a scheme by which it would defer lease payments for up to three months, but commenced full repayment of these sums in January 1992. Yesterday, Mr Ed Beaulieu, the company's chairman and founder, conceded none of the alternatives explored so far with bankers and

lessors had proved successful. America West faced heavy losses in 1987, but survived - helped partly by the sale of a 20 per cent stake in the airline to Australia's Ansett Airlines.

Its recent difficulties have stemmed from industry-wide problems relating to costs and traffic, but also exacerbated by the Gulf War debts and off-balance sheet leases of around \$10m and a tough, financially stronger, local competitor in Southwest Airlines.

Aside from the Ansett stake, about 40 per cent of America West's shares are held by management and employees. Some 80 of its 115 aircraft are leased.

AWAS has 62 aircraft on lease, mostly to third world countries. It has placed firm orders for the next four years for 100 aircraft from various makers, including Boeing, worth about \$350m.

Typically, AWAS pays a deposit on the aircraft, then negotiates a rental with potential lessees as the aircraft near completion. In their latest accounts, TNT and News Corp noted contingent liabilities of \$450m - though only \$12m

was scheduled to come due over the next five years. This was the difference between the receipts on the shorter-term subleases, at which AWAS rents its aircraft to clients, and the payments on the long-term head leases from which AWAS takes the aircraft from the manufacturers.

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Protection move hits TNT and News Corp

By Mark Westfield in Sydney

SHARES in Australian transport group TNT and its airline industry partner, News Corporation, plunged further on the Australian stock market yesterday, following the news that Phoenix-based associate America West Airlines had sought protection under Chapter 11 of the US bankruptcy code.

TNT dropped 11 cents during the day to close at 78 cents after dipping to 76 cents - just one cent above its record low of 75 cents in January - and News Corp lost 38 cents to close at \$7.22. News Corp has lost 25 per cent in the last four weeks.

The two groups jointly own Ansett Airlines, which has a 20 per cent stake in America West. Nervousness over the stocks centres around their exposure to AWAS.

AWAS has 62 aircraft on lease, mostly to third world countries. It has placed firm orders for the next four years for 100 aircraft from various makers, including Boeing, worth about \$350m.

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Citic to expand in Hong Kong

By John Elliott in Hong Kong

THE HONG KONG offshoot of Peking's China International Trust and Investment Corporation is to build up its presence on the colony's stock exchange by switching a 12.5 per cent stake in Cathay Pacific Airways and a 20 per cent stake in a Macao telecommunications company into Citic, a small listed company which it controls.

As part of a HK\$3.1bn (\$415m) Typhoon share and bond issue announced yesterday to pay for the acquisitions, Kerry Trading, a Hong Kong-based company controlled by Mr Robert Knok, is taking a 20 per cent stake in the company. Mr Li Ka-shing, Hong Kong's leading entrepreneur, is taking 5.5 per cent.

Typhoon's name is to be changed to Citic Pacific to emphasise its role as a key investment vehicle, and it is looking for takeover prospects. It is also expected to buy more of Citic's other Hong Kong interests which include stakes

in a regional communications satellite called AsiaSat, a cross harbour tunnel, and Dragonair, a small regional airline.

Citic is China's most openly capitalist corporation and its Hong Kong offshoot bought Typhoon, a small property investment company, early last year. This gave it an indirect way of becoming China's first major company on the Hong Kong exchange.

Mr Li has close links with Citic and is a shareholder in Peregrine, a financial services group which organised the deal.

Mr Knok has a diversified business empire which was started in Malaysia's sugar industry and includes Shengri-La hotels. He is to become deputy chairman of Citic Pacific.

Citic had intended to organise the Typhoon expansion late last year but postponed the move because of market reaction to the Gulf war. Hong Kong's stock market is still relatively weak so share placements have been arranged to raise the HK\$3.1bn instead of a public issue.

Subject to approval at an extraordinary general meeting, the HK\$3.1bn will come from an issue of 1.49bn new shares at HK\$2.05 each, a HK\$800m bond issue, the HK\$400m of debt, plus HK\$500m from internal resources.

Kerry Trading is buying 731m shares for HK\$1.14bn plus HK\$150m bonds, and two of Mr Li's private companies are buying 130m shares for HK\$275.5m plus HK\$100m bonds.

Citic Hong Kong will take up its full 49 per cent allocation, retaining its 49 per cent controlling interest. A 10 per cent block of 149m shares has been placed by Citic Pacific with institutional investors.

The Cathay Pacific stake was bought four years ago and was sold yesterday for HK\$8 a share. The closing market price was HK\$8.35.

Hoesch predicts another downturn

By Andrew Fisher in Frankfurt

HOESCH, the German steel and engineering company, is expecting another drop in profits this year, Mr Günter Flohr, the marketing director said at yesterday's annual meeting.

The main reason was the falling price trend in the steel industry. He told shareholders that operating profits fell to DM100m (\$55m) in the first five months of 1991 from DM300m in the same period of 1990. Turnover was down

by 6 per cent at DM4.4bn. Mr Flohr said the order backlog in most parts of Hoesch was favourable and stretched well into the rest of the year. Last year, Hoesch turned in operating profits of DM440m, against DM517m the previous year, reflecting a drop of DM100m in steel profits.

Under its previous chief executive, Mr Detlev Rohwedder, who had left to run the Treubahn (east Germany's pri-

vatization agency) and was murdered in April by terrorists, Hoesch had been undergoing extensive restructuring.

This process will be continued by his successor, Mr Kai Neukirchen, who takes over at the end of August after turning round Kickor-Humboldt-Deutz, the engineering company.

Mr Flohr said yesterday that Hoesch would continue to shed activities that no longer fitted in with its main business.

Club Med falls into the red

By George Graham

THE IMPACT of the Gulf crisis on tourism, particularly in north Africa, has pushed Club Med, the French holiday company, into a first-half net loss compared with a profit of FF116.6m in the same period a year earlier.

The figures include a loss of FF36m for Groupe Minerve, the charter airline of which Club Med owns 50 per cent.

Club Med said on a constant basis of consolidation it would have shown a net loss of FF49.3m for the first half. Sales fell 7 per cent to FF3.38bn.

BHP earnings soar to record

By Mark Westfield in Sydney

BHP, Australia's largest company, yesterday unveiled record net profits of \$1.42bn (\$1.09bn) after being boosted by strong earnings from its petroleum and minerals divisions which allowed it to surge to a 58 per cent slump in its steel division.

The UK sweeper group profit suffered a 20 per cent drop in demand, to its lowest level since 1983.

Overall after-tax earnings for the year to May 31 increased by more than 25 per cent, on a 16 per cent increase in turnover to \$15.5bn.

Directors announced a fully-franked final dividend of

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark falls against dollar

EUROPEAN CURRENCIES were hit by news of clashes between the Yugoslav army and defence units from the breakaway territory of Slovenia. The crisis in Yugoslavia put pressure on the D-Mark, dragging all members of the European exchange rate mechanism down against the dollar. Uncertainty about German tax policy also hit the D-Mark. This followed a ruling on Thursday by the German Federal Constitutional Court prompting speculation about the possible reintroduction of withholding tax on investment earnings. These factors, coupled with this week's failure of the Bundesbank council to raise official German interest rates, pushed the D-Mark down to its lowest level against the Japanese yen for 21 months. At the London close it had fallen to ¥160.00 from ¥158.50.

The Bundesbank said \$30m at the Frankfurt fixing, but dealers said the scale of intervention was little more than a

gesture to indicate the central bank's concern about the trend. A further indication that the US is moving out of recession provided support for the dollar, but this was not enough to prevent the currency losing a little ground to the strong yen.

The US index of leading indicators rose 0.5 per cent in May, after climbing 0.4 per cent in April. This was stronger than the widely forecast rise of 0.3 per cent and was the fourth consecutive monthly rise in the index.

Economists noted that this was the first time since January 1989 that the index had increased for four straight months. They were also impressed that gains were spread across a broad range of economic activity, with eight of the 11 component parts showing an improvement.

The dollar and the yen were the main beneficiaries from a general move out of European currencies.

At the London close the dollar had climbed to DM1.645 from DM1.640, to FF9.1475 from FF9.0875, and to Sfr1.5580 from Sfr1.5490, but had eased to 137.80 from 138.05. On Bank of England figures the dollar's index rose to 88.0 from 87.7.

Sterling weakened in line with other European currencies against the dollar and yen, but improved against the D-Mark. The pound was on the sidelines, however, lacking fresh factors and simply reacting to trends in other currencies rather than creating its own trend.

Sterling fell 1.40 cents to £1.6190. It also declined to ¥228.25 from ¥228.50 and to Sfr2.5225 from Sfr2.5300, but rose to DM2.9575 from DM2.9500 and to FF9.5225 from FF9.5000. The pound's index fell 0.1 to 89.4. It traded steadily within the ERM, remaining third weakest, above the French franc and below the Danish krone.

FINANCIAL FUTURES AND OPTIONS

LIVE FUTURE MARKET

Symbol	Contract	Settlement	Open	High	Low	Close
3M	3 Months	1.6450	1.6450	1.6450	1.6450	1.6450
6M	6 Months	1.6450	1.6450	1.6450	1.6450	1.6450
9M	9 Months	1.6450	1.6450	1.6450	1.6450	1.6450
12M	12 Months	1.6450	1.6450	1.6450	1.6450	1.6450

Estimated volume: 1,000 contracts. Last day's open: 1.6450. Previous day's open: 1.6450.

LIVE FUTURE MARKET

Symbol	Contract	Settlement	Open	High	Low	Close
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6M	6 Months	1.6450	1.6450	1.6450	1.6450	1.6450
9M	9 Months	1.6450	1.6450	1.6450	1.6450	1.6450
12M	12 Months	1.6450	1.6450	1.6450	1.6450	1.6450

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LIVE FUTURE MARKET

Notes in circulation	1
Notes in Banking Department	
	1
ASSETS	
Government Debt	
Other Government Securities	1
Other Securities	4
	1

LONDON STOCK EXCHANGE

Gloomy close to the second quarter

THE FINAL trading day of the second quarter of the year came to a somewhat depressing close on the UK stock market yesterday as weakness in the German market acted as a further dampener to London. The FT-SE 100 index plunged down another significant point to close at 2,414.5.

Yesterday was also the close to the two week trading, which has seen the market fall by 107.5 points. Trading volumes increased yesterday, although traders were quick to point out that the activity of both the FT-SE 100 and the FT-SE 250 option contract yesterday brought the usual flush of technical activity as leading securities houses struggled to balance positions between the two derivatives

Account Opening Date	Account Closing Date
West Midlands	Jul 1
North East	Jul 1
North West	Jul 1
Yorkshire	Jul 1
London	Jul 1
South East	Jul 1
South West	Jul 1
Wales	Jul 1
Scotland	Jul 1
NI	Jul 1

sectors and the underlying equity market. The final picture was extremely gloomy, with the FT-SE 100 now showing few signs of any support level on the strategy charts before it reaches the 2,300 area, which would significantly undermine most City forecasts. For the near term, analysts warned that on Monday, the first day of the new trading quarter, the stock market faces a number of ex-dividend quotations, which

may put further pressure on a nervous investment climate. Government bonds gained 1/4 or so on reported switching from eurobonds. In addition to its concerns over the recessionary pressures on the domestic economy, fuelled this week by more bad news from the corporate sector, and its warning of further interest rate cuts in the near term, the UK stock market finished yesterday in the face of renewed weakness in Tokyo, overnight and the sharp fall in the German equity sector. Share prices opened steadily in London and did not come under significant pressure until European markets fell and the time for the expiry in the UK derivatives markets approached. The June future contract on the Footsie

plunged just before expiry at mid-morning. The early setback took the FT-SE 100 down by 26 points, after which the market tried to settle in the derivatives markets quietened down. But an opening fall on Wall Street, which showed a loss of 31 Dow points in London trading hours, finally upset UK equities, driving share prices down to the level of the previous session. Saeo volume of 649.8m shares compared with 644.8m shares in the previous session. Traders said that it was difficult to establish the level of genuine investment activity because of the technical trading spurred by the derivatives market. At least one leading US securities firm and one leading London firm were identified as particularly active in the derivatives expiry.

Equity turnover has traced an erratic pattern as the market has fallen. At mid-week, when share prices dipped sharply, trading volumes were significantly reduced. London SE volume Turnover by volume (million) 100 200 300 400 500 600 700 800 900 1000 1100 1200 1300 1400 1500 1600 1700 1800 1900 2000 2100 2200 2300 2400 2500 2600 2700 2800 2900 3000 3100 3200 3300 3400 3500 3600 3700 3800 3900 4000 4100 4200 4300 4400 4500 4600 4700 4800 4900 5000 5100 5200 5300 5400 5500 5600 5700 5800 5900 6000 6100 6200 6300 6400 6500 6600 6700 6800 6900 7000 7100 7200 7300 7400 7500 7600 7700 7800 7900 8000 8100 8200 8300 8400 8500 8600 8700 8800 8900 9000 9100 9200 9300 9400 9500 9600 9700 9800 9900 10000 10100 10200 10300 10400 10500 10600 10700 10800 10900 11000 11100 11200 11300 11400 11500 11600 11700 11800 11900 12000 12100 12200 12300 12400 12500 12600 12700 12800 12900 13000 13100 13200 13300 13400 13500 13600 13700 13800 13900 14000 14100 14200 14300 14400 14500 14600 14700 14800 14900 15000 15100 15200 15300 15400 15500 15600 15700 15800 15900 16000 16100 16200 16300 16400 16500 16600 16700 16800 16900 17000 17100 17200 17300 17400 17500 17600 17700 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67600 67700 67800 67900 68000 68100 68200 68300 68400 68500 68600 68700 68800 68900 69000 69100 69200 69300 69400 69500 69600 69700 69800 69900 70000 70100 70200 70300 70400 70500 70600 70700 70800 70900 71000 71100 71200 71300 71400 71500 71600 71700 71800 71900 72000 72100 72200 72300 72400 72500 72600 72700 72800 72900 73000 73100 73200 73300 73400 73500 73600 73700 73800 73900 74000 74100 74200 74300 74400 74500 74600 74700 74800 74900 75000 75100 75200 75300 75400 75500 75600 75700 75800 75900 76000 76100 76200 76300 76400 76500 76600 76700 76800 76900 77000 77100 77200 77300 77400 77500 77600 77700 77800 77900 78000 78100 78200 78300 78400 78500 78600 78700 78800 78900 79000 79100 79200 79300 79400 79500 79600 79700 79800 79900 80000 80100 80200 80300 80400 80500 80600 80700 80800 80900 81000 81100 81200 81300 81400 81500 81600 81700 81800 81900 82000 82100 82200 82300 82400 82500 82600 82700 82800 82900 83000 83100 83200 83300 83400 83500 83600 83700 83800 83900 84000 84100 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Currency effect provides swing factor in first half

them in good stead, helping them to overcome the FT-40 World excluding the UK indices in both 1988 and 1989.

They should, however, take careful note of the important structural changes made recently to the performance benchmarks themselves. These changes to the FT-A World indices, introduced at the start of June, were to ensure that the current opportunities for global investors were represented as accurately as possible. The result is slightly less prominence for markets such as the UK, the US and Germany, and slightly more prominence for markets such as Japan, Spain and Malaysia.

The small change in structure is not dramatic. However, there are important implications at the regional level. Malaya, for example, represented just 4.6 per cent of the Far East excluding Japan benchmark at the start of the year. It now represents more than 14 per cent.

Some managers tend to ignore index benchmarks altogether. It is business risk, they argue, that matters. The real risk lies in deviating too far from the benchmark they are doing. Currently, the big bets remain on Europe, although there is evidence that significant new cash flow is being directed towards the Far East. The second half of 1985, then, is them in the second half. Growth prospects in continental Europe still look respectable, particularly in relation to those in the UK and US. But the real problem area is Germany, where the government has a new market. Concerns are growing over inflationary pressures and the possibility of higher interest rates, at a time when share valuations already look overstretched.

As for the US, together with the likelihood of further weakness in European currencies against the dollar, hardly inspires confidence that the second half will be easy going for US pension funds. Packaging the third and fourth quarters is the area of major distractions looming: Goodwood, Henley, the Open.

Adrian FitzGerald

The author is director of quantitative research at Investec, a West Wood Mac, which helps to compile the FTA World Indices.

BRUSSELS focused on Col-rat, the retailer, which jumped **BRATs** or 6 percent to **B\$7,385** after announcing a 73 percent increase in earnings.

Wagon-Lits gained **B\$750** or 8.1 percent to **B\$77,500** after a small shareholders' group said the travel group's main shareholders "make a bid."

The **Belco** rose to **B\$6,116.25**, steady on the week.

MILAN lost early gains on reports that a small broker was having difficulty in meeting its obligations to the **Eni** group for June account. The **Comit** index fell 0.6 to 56.24, down 1.2 percent on the week, in volume estimated at slightly more than **Thursday's** **1,920**.

PARIS was a mixed affair, up **120** at **12,840**, but slipped back to **12,625** after hours. A senior Fiat executive was quoted as saying that the car company was forecasting 1981 group net earnings of **1,000**, slightly below last year's level.

average sterling return provided by other markets. The pound sterling will have to fend for itself, and not turn to the aid of investors from themselves in the opposite position. Their domestic market has provided them with a return of 14.6 per cent, a creditable performance compared with the dollar return of just 10.2 per cent from the World excluding the US.

The big winning factor has been the currency effect – and not just the dollar's rise against sterling. The dollar has made double-figure gains virtually across the board in the last five years, and other Eastern currencies have done likewise. The result is that all European investors will have benefited considerably from investment outside, while Europe will not have been a happy hunting ground for outside investors.

For the dollar, the return from the World excluding Europe, for example, has been 80.2 per cent; the dollar return from Europe has been a negative 0.3 per cent.

This will not have been good news for many UK-based pension funds, but it is good news for continental European markets. The UK market has increased substantially over the last five years, largely at the expense of the US and Japan. Figures from the WIM Company, the UK performance measurement company, show that the UK market is 10 per cent of its overseas market compared to continental Europe

at the start of the year. This is more than double the benchmark weighting of 17 per cent, and well above the allocation to either the US (26 per cent) or Japan (18 per cent).

While the accounts show a widening from benchmark weightings, the overseas portion of a typical UK-based pension fund can be expected to have underperformed the World excluding the UK by about one percentage point during the first half. This takes no account of special stock skills or market timing and also assumes a good return (in excess of 40 per cent) on the residual overseas holdings.

It is the tendency for many pension funds to be overweighted in the US, and underweight in the Far East, that they have helped to limit the European effect and the consequent first-half shortfall. Australia, Hong Kong, Malaysia, New Zealand and Singapore all produced good returns, but the US has still been comfortable. This strategy has, after all, held

AF, which filed for bankruptcy protection on Thursday.

NEW ZEALAND focused on the listing of GPG, the UK investment company 40 per cent-owned by Brinkley Investments. The stock rose to 49 cents before closing at 48 cents on volumes of 2.9m shares out of a total lot.

New Zealand fell 2 cents to NZ\$1.33 after reporting a loss for the 12 months to March 31 and a one-for-two issue at NZ\$1 a share. The Barclays index rose 9.51 to 1,439.98, down 0.5 per cent on the week.

MANILA rebounded after its recent weakness. The composite index rose 16.94 to 1,058.26, down 0.1 per cent on the week to 2.3 per cent. News that Mrs Imelda Marcos, former first lady, plans to return to the Philippines raised expectations of an inflow of cash.

JAKARTA's index dropped 7.94, or 2.2 per cent to 345.27, in turnover of 5.5m shares after 31m. SINGAPORE was wor-
sest off, with the Straits Times Industrial index down 4.23 to 1,489.89, in turnover of 41m shares after 31m.

KUALA LUMPUR's composite index fell 4.00 to 618.69.

BRITISH FUNDS					BRITISH FUNDS—Contd.					INT. BANK AND O'SEAS				
1991 High	Low	Price	% Chg	Yield Red.	1991 High	Low	Price	% Chg	Yield Red.	1991 High	Low	Price	% Chg	Yield Red.
"Shorts" (Lives up to Five Years)					Over Fifteen Years					CORPORATION LOANS				
9998	9810	100	0.00	11.28	9998	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1000	9810	100	0.00	11.28	1000	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1001	9810	100	0.00	11.28	1001	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1002	9810	100	0.00	11.28	1002	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1003	9810	100	0.00	11.28	1003	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1004	9810	100	0.00	11.28	1004	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1005	9810	100	0.00	11.28	1005	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1006	9810	100	0.00	11.28	1006	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1007	9810	100	0.00	11.28	1007	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1008	9810	100	0.00	11.28	1008	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1009	9810	100	0.00	11.28	1009	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1010	9810	100	0.00	11.28	1010	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1011	9810	100	0.00	11.28	1011	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1012	9810	100	0.00	11.28	1012	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1013	9810	100	0.00	11.28	1013	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1014	9810	100	0.00	11.28	1014	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1015	9810	100	0.00	11.28	1015	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1016	9810	100	0.00	11.28	1016	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1017	9810	100	0.00	11.28	1017	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1018	9810	100	0.00	11.28	1018	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1019	9810	100	0.00	11.28	1019	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1020	9810	100	0.00	11.28	1020	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1021	9810	100	0.00	11.28	1021	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1022	9810	100	0.00	11.28	1022	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1023	9810	100	0.00	11.28	1023	7900	98	0.00	9.77	10000	10000	100	0.00	11.44
1024	9810	100	0.00	11.28	1024	7900								

REGIONAL AND COUNTRY MARKETS		THURSDAY JUNE 27 1991										WEDNESDAY JUNE 26 1991										DOLLAR INDEX	
Gains in number of lines open		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local Change %	Gross Div. Index	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 Low	1991 High	Year ago 1990						
Australia (70)	136.72	-0.4	126.88	121.93	130.32	121.05	-0.5	5.31	140.54	126.82	122.60	180.15	121.63	147.90	112.74	138.20	149.30						
Belgium (20)	126.20	-1.5	165.41	159.40	169.94	169.95	-0.1	1.60	185.45	167.36	161.79	171.74	171.63	222.67	180.00	200.00	200.00						
Canada (16)	122.55	-0.7	114.98	110.02	118.98	119.51	-0.2	5.12	127.44	116.34	111.40	118.28	119.49	151.20	121.73	100.00	100.00						
France (115)	240.11	-0.6	218.00	202.83	223.95	226.40	-0.2	1.89	240.36	210.10	211.87	228.04	226.26	270.58	201.74	217.41	217.41						
Germany (16)	90.03	-1.6	69.91	66.42	63.97	66.98	-0.1	2.78	100.25	90.88	87.98	93.87	93.85	125.15	90.00	90.00	90.00						
Italy (14)	126.82	-0.2	115.05	110.57	118.15	121.00	+0.3	3.56	125.82	114.74	110.95	117.27	120.63	152.25	125.00	125.00	125.00						
Japan (70)	151.71	-0.3	137.83	132.47	141.50	150.88	-0.2	5.14	182.21	137.87	130.05	141.28	141.28	161.77	118.62	135.00	135.00						
South Korea (5)	147.92	-0.2	130.86	125.59	134.28	139.01	+0.5	3.78	143.20	128.30	125.87	132.62	135.88	162.46	132.62	132.62	132.62						
UK (77)	74.32	-1.2	67.87	65.23	69.72	74.69	-0.1	8.13	75.53	67.87	65.23	69.72	74.69	100.00	100.00	100.00	100.00						
USA (20)	126.12	-0.2	126.12	126.12	126.12	126.12	-0.2	3.58	137.22	117.77	117.77	126.12	126.12	146.57	126.12	126.12	126.12						
Switzerland (16)	236.57	-0.5	215.67	206.56	210.71	232.17	-0.5	2.59	236.58	214.01	209.58	219.82	223.24	247.72	194.33	200.00	200.00						
Taiwan (16)	670.44	-1.2	681.05	646.84	610.12	620.42	-1.0	2.01	681.95	659.42	611.25	629.37	629.37	670.72	629.37	629.37	629.37						
Thailand (31)	132.93	+0.0	126.85	119.58	128.98	132.73	+0.5	4.37	126.87	126.87	119.58	128.98	132.73	165.73	126.87	126.87	126.87						
Trinidad (13)	71.26	-0.1	71.26	71.26	71.26	71.26	-0.1	1.82	71.26	71.26	71.26	71.26	71.26	100.00	71.26	71.26	71.26						
USA (20)	100.00	-0.0	173.98	166.38	177.83	180.72	-0.7	1.82	192.67	174.62	168.43	178.80	182.14	228.24	182.14	182.14	182.14						
South Africa (61)	198.08	-0.4	177.11	170.24	181.56	194.40	-0.7	2.14	186.95	170.27	170.27	181.56	198.08	208.26	198.08	198.08	198.08						
South Africa (61)	235.78	-1.2	205.90	197.50	211.52	234.42	-0.5	3.24	229.25	205.90	205.90	211.52	234.42	268.26	235.78	235.78	235.78						
South Africa (61)	148.79	-0.1	135.08	129.54	138.77	148.79	+0.0	4.31	148.79	135.08	129.54	138.77	148.79	171.12									

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Yugoslav crisis erodes equities • US currency in demand as haven

D-Mark sinks against dollar

By Rachel Johnson in London and Katherine Campbell in Frankfurt

TURBULENCE in Yugoslavia yesterday helped to trigger a rise in the dollar but sharp falls in equities and other currencies on the world's financial markets.

The dollar's main casualty was the D-Mark, hit by the double blow of a crisis on the continent of Europe and the threat of a possible tax on German investment income.

The German constitutional court ruled on Thursday that the country must introduce controls on investment earnings by 1993 at the latest.

This has caused uncertainty about new measures from the finance ministry to tighten existing taxes on investment income as a way of earning much-needed capital. The government faces a dilemma over how to clamp down on tax

avoidance without prompting capital flight.

The D-Mark sank against the dollar, which was in demand yesterday as a traditional safe haven currency, bought by investors at the first scent of war.

In London yesterday, the dollar closed at DM1.8145, after a previous DM1.7940.

The Yugoslavian crisis eroded share values. In London, the FT-SE 100 share index ended the first six months of 1990 at a four-month low, dropping 37.7 points to close at 2414.8.

By 3pm in New York, the Dow Jones industrial average had fallen by 30.41 at 2,904.55, with worries about Iraq and US banks adding to Yugoslavian concerns.

The pound lost ground against the dollar to close in

London at \$1.6190, after a previous \$1.6330. But it rose three-quarters of a penny to DM2.9375.

Hopes of an interest rate cut were dashed when the Bank of England signalled to the money markets that the 11.5 per cent bank base rate should remain for the next seven days.

The weakness of the D-Mark triggered some fears that the Bundesbank would need to raise interest rates to protect the currency. This helped depress London share prices.

But the D-Mark steadied during the afternoon, as Bonn officials said they were determined not to repeat the disastrous withholding tax experiment.

Though only in place for six months from the beginning of 1989, its announcement in

October 1987 led to massive capital flight out of Germany, causing a 16 per cent depreciation of the D-Mark against the dollar in just four months.

On the Frankfurt share market, the DAX index closed 2.63 per cent weaker at 1622.18.

There was no evidence of central bank intervention to cap the dollar although the Bundesbank sold \$50m at the Frankfurt midday fixing.

Concerted action had been expected this week after the Group of Seven industrialised countries indicated at the weekend that they would intervene on currency markets if necessary.

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London stocks, Page 15
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Cambodia peace hopes rise further

By Alexander Nicoll, Asia Editor

HOPES rose further yesterday for progress towards a Cambodian peace settlement, after the unexpected degree of success in talks this week in Pattaya, Thailand.

The latest encouraging signal was the reported agreement of Mr Hun Sen, prime minister in Cambodia's Vietnam-backed government, to a meeting in Beijing in July with other factions involved in the peace talks.

This would be the first time the parties have met in China, which supports the Khmer Rouge guerrillas in their 12-year-old war against the Phnom Penh government installed by Hanoi in 1978.

The accelerating momentum seen this week has fostered cautious hopes for progress towards peace and democratic elections in Cambodia. This would lead in turn to normalisation of US relations with Vietnam and the unlocking of urgently needed foreign financial support for Hanoi's economic reforms.

In Pattaya, the factions agreed on a ceasefire - though apparently not on how it would be enforced or monitored - and on cessation of arms supplies from abroad. Prince Norodom Sihanouk, 88, once king of Cambodia, is set to return to Phnom Penh as chairman of the Supreme National Council, which he described as a "super-government", standing above the existing governments of Mr Hun Sen and a guerrilla coalition.

Further signs of conciliation included an agreement to send SNC delegations to the next United Nations General Assembly and to the International Monetary Fund-World Bank annual meetings.

The Voice of the Khmer radio said the Pattaya meeting was conducted "in a remarkably wonderful atmosphere with understanding and smiles unlike previous meetings".

The Phnom Penh government did not agree to full UN administration of the transition to peace and democracy - the "Permanent Five" plan proposed last year by the US, Soviet Union, France, Britain and China.

However, the new-found ability of the factions to agree on SNC decisions has encouraged some people close to that plan to hope that its desired goals may be achieved without an extensive, costly UN involvement. Attempts are being made to convene a meeting of the five to discuss recent progress.

The next full meeting of the SNC is due to be held in Bangkok on a date yet to be set.

Burton
Continued from Page 1

costs relating to redundancies and restructuring. In 1989-90, it reported a pre-tax profit of £13.1m.

Then will also be an extraordinary charge of £152m, mainly covering the write-down in value of Burton's property assets.

A final dividend of 1p is forecast which will bring the total to 3p (8p). After paying this dividend, however, a £18.9m transfer from reserves will be required - more than consuming the rights issue's proceeds.

Burton presents the bill

The Burton rights issue displays a remarkable combination of boldness and desperation.

The infusion of institutional cash means the group's survival is guaranteed, at least for the time being. But the doubling of the equity base is bringing in a mere 1.61m, little more than a tenth of what Burton was worth just two years ago.

The underwriting institutions were doubtless lured in by a yield on the ex-rights price of over 10 per cent, together with a desire to protect the remains of their original investment. But it takes nerve on Burton's part to launch a cash call while forecasting a slashed dividend for the second year running and a fall of more than a quarter in shareholders' funds.

The ostensible grounds for the issue are twofold: that as a company with high operational gearing Burton is an unusually attractive recovery play; and that the property market must be allowed to recover before the retail developments are finally sold off. The gearing is in one way undeniably a collapse in Burton's sales volume in the second half means it is now trading at a pre-interest loss. The more open question is whether it will enjoy its share of the upturn.

As for property, shareholders may wonder how much good money should be thrown after bad. Burton has by now written off just twice as much on its developments as it is raising with the rights issue. In addition, the issue will only just pay for the redemption of the convertible due in August next year. Burton has come back from the dead once before, in the late 1970s. It may well again. Whether it is worth investing fresh money in is a different matter.

On a more cheerful note, it is impossible not to admire the cheek of Burton's solution to the problem of having a rights issue below par value. Take each 50p share, divide it into a 10p share and a 40p share and throw the 40p share away. Then have an issue at 80p. If only all corporate finance were that simple.

Welsh Water
The seductive explanation for Welsh Water's decision to increase its stake in South Wales Electricity to just under 15 per cent is that it is preparing to launch a bid. As a strategy this is barely credible. It is not clear that Welsh Water could raise the money even if it were allowed to. And while the government has waived golden shares in the past, the privatised utilities are presum-

ably in a special category for a while yet. Even after the golden share expires in 1995, Welsh would need a 75 per cent majority to overturn the ownership restrictions written into South Wales's articles of association until the year 2000.

As to the logic for a takeover, there might be overvalued savings. The regional lobby, however, would not be amused by more job losses. The regulators might even take the view that a single company could better afford a downward revision of the inflated fixed pricing agreements which govern the water and electricity industries.

All of which suggests the idea of taking a stake was misconceived from the moment Welsh Water unexpectedly raised the market last December. Its talk of a takeover has yielded precisely nothing. Indeed, a friendly deal was ruled out by the privatized electricity company. If Welsh Water has decided on coercion rather than persuasion, it has chosen a sticky time to get tough. Overst is expected to reveal on Monday that last year Welsh not only exceeded its profits forecast by more than any other water company, but also fell further behind on capital spending than the industry average.

Royal Insurance
Royal Insurance's curt statement on the ending of talks over the sale of its reinsurance subsidiary to General Re of the US was bound to invite negative speculation. There was still no obvious justification for yesterday's 5 per cent drop in Royal's shares to 406p, even if it came in a weak market worried by news of an earthquake in California. With so much bad news emanating from Lloyd's one fear was that General had discovered a large dollop of high-risk long-term exposure on Royal Re's books. A more likely explanation was simple failure to agree on a price. While it makes strategic sense for the Royal to divest itself of a reinsurance business that was too small to compete on its own, it has no pressing need to accept fire-sale terms.

The sale was never expected to boost Royal's solvency margin by more than one percentage point. At its level in the upper 30s, the margin, though low by industry standards, is still comfortably within operating limits. In itself, General Re's withdrawal will not force the Royal to seek alternative funding by way of a rights issue.

Markets
It was no surprise that the London market ended the week on a miserable note. With Wall Street down 30 points in early trading yesterday and the Nikkei approaching the critical 23,000 level, the FT-SE had plenty of grounds for falling through the 2,300 floor which has held since March. It also has no shortage of problems

which could lead to a further drop. The next full meeting of the SNC is due to be held in Bangkok on a date yet to be set.

Burton
Continued from Page 1

costs relating to redundancies and restructuring. In 1989-90, it reported a pre-tax profit of £13.1m.

Then will also be an extraordinary charge of £152m, mainly covering the write-down in value of Burton's property assets.

A final dividend of 1p is forecast which will bring the total to 3p (8p). After paying this dividend, however, a £18.9m transfer from reserves will be required - more than consuming the rights issue's proceeds.

Thatcher to retire
Continued from Page 1

giving any ground at the weekend's Luxembourg summit. "A single currency is a move to a political union because that way you have got control of the economy," she said. "That is why I am absolutely against it."

Earlier, Mrs Thatcher emphasised that her decision not to fight the seat in Finchley, north London, that she has held for nearly 23 years was, in part, to enable her to speak her mind without commentators speculating that she might be attempting to return to Downing Street.

Nonetheless, the view in Westminster was that her departure would lead to a gradual but progressive diminution of her influence in the parliamentary Conservative party, to the relief of Mr John Major's administration.

Her announcement came after almost a month of Tory infighting over Europe, stoked by Mrs Thatcher's speeches in the US and the Commons. Commentators noted that her clashes with Mr Edward Heath, her predecessor, underlined the task Mr Major has still ahead to achieve a similar dominance over the Commons and the Tory party.

In a short statement, Mrs Thatcher pledged to continue as a "strong ally and friend" to Mr Major and his government. She made clear that she would be active in the Commons until the next election and "thereafter in the political life of the nation, albeit in a different capacity".

Mr Major paid tribute to his predecessor: "She will undoubtedly go down in history as one of the great prime ministers," he said.

Few doubt, however, that she will use her Commons seat to speak out controversially on Europe and other issues in the run up to the crucial Community summit in Maastricht in December.

Mrs Thatcher also reiterated her dogged opposition both to a single European currency and the so-called Delors compromise on treaty revisions that offers the UK the right to opt out of monetary union.

"That I am afraid, is trying to get us there step by step, little by little," she said, with characteristic bluntness. "I think that is wrong."

Mrs Thatcher, now 65, made plain that she expects to move to the House of Lords.

US accuses Iraq of violating treaty

By Lionel Barber in Washington and Michael Littlejohns in New York

PRESIDENT George Bush yesterday accused Iraq of violating the Gulf war ceasefire after Iraqi troops fired mortar shots in the air to prevent United Nations inspectors from entering a suspected nuclear weapons site.

Denouncing President Saddam Hussein as a "brutal bully", Mr Bush hinted strongly that the US is ready to use force to make Iraq comply with UN resolutions calling for the destruction of its nuclear capability.

A high-level UN mission is to travel to Baghdad to demand that the authorities give immediate, total access to UN inspectors investigating the Iraqi nuclear and chemical weapons programmes.

Mr Javier Pérez de Cuellar, the UN secretary-general, told reporters the mission would leave shortly but was not going to engage in negotiation since the UN had full authority.

Mr Pérez de Cuellar said he did not think there were "enough elements" to justify military action to deal with Iraqi intransigence.

However, he added that it was up to the Security Council to decide how to deal with a situation that Mr Alexander Watson, the US delegate, had earlier called "very, very grave".

The State Department said the latest confrontation between the UN inspectors and Iraqi army occurred yesterday at the Al-Falusha site where suspected nuclear equipment was being moved and stored.

As the team approached with cameras, the Iraqis loaded the materials which the UN team wished to inspect and drove out of the compound.

Warning shots were fired when the UN team members moved closer, and the Iraqis sought to seize their cameras, the State Department said.

Ms Margaret Tutwiler, its chief spokesman, said: "We understand the team was able to identify the equipment as related to Iraq's uranium enrichment programme."

Mr Bush had earlier summoned his senior nuclear security advisers to the White House to discuss military and other options for dealing with the crisis.

His statement - compiled with equally strong language from the State Department - appeared aimed at putting maximum pressure on the Security Council to respond.

The Ivory Coast, which is chairing the Security Council, called on Iraq's UN representative on Thursday and demanded that "the highest



President Bush: hinted strongly at use of force

levels of the Baghdad government" should submit in writing a commitment to abide by the UN resolutions and agree to UN inspections.

Mr Bush declared there was "irrefutable, unarguable evidence" that Iraq had violated the ceasefire. "Some would argue that the UN resolution gives us... all means necessary to enforce the ceasefire," he said.

The White House meeting

included Mr Dick Cheney, defence secretary, Gen Colin Powell, chairman of the joint chiefs of staff, and Gen Brent Scowcroft, national security adviser.

These high-level talks followed a meeting of the deputy cabinet members - on Thursday, which considered several options, including military, which go beyond maintaining economic sanctions against Iraq.

US officials declined to confirm or deny whether there was a consensus on the use of force.

One US official stressed that Mr Bush was studying other options centring on the use of sanctions to force Iraq to comply with UN resolutions concerning the destruction of its nuclear and unconventional weapons.

However, other officials noted that the option of using military force - most likely through aerial strikes against suspected nuclear caches - is being taken seriously.

For the past few weeks, the Pentagon has ordered a task force to study possible military strikes using F-117A stealth fighter bombers based in Saudi Arabia.

Another option is to use bombers based on US Navy ships in the Gulf.

Bulgarian nuclear power station 'unsafe'

By Ben Crampton in Sofia and Anthony Robinson in London

THE International Atomic Energy Agency, the Vienna-based nuclear organisation, yesterday warned that Bulgaria's only nuclear power station was unsafe and in need of immediate corrective work.

The IAEA's statement came after Bulgarian radio broadcast denials of rumours of a Chernobyl-style nuclear disaster at the facility.

The rumours which swept through the capital Sofia yesterday concerning the Soviet designed and built Kozloduy plant on the Danube, 600km to the north, appear to have been connected with a recent three-week investigation of the plant by the IAEA.

The four standard WWER 440 pressurised water reactors were built between 1969 and 1974. Only two are in operation, with the others already shut down. "The IAEA team

found this plants in very poor condition with a number of safety-relevant deficiencies", it said, urging the Bulgarian government to take immediate measures.

The dangerous state of the Bulgarian nuclear plant was criticised by the agency after a previous inspection last autumn, and on April 10 the financially hard pressed government announced it planned to spend \$10m (\$6m) on safety improvements, but has not yet done so.

Bulgaria has also had difficulties settling spare parts from the Soviet Union in recent months, during which trade with Moscow has declined sharply following the switch to hard currency trading among former Comecon countries.

Bulgars were forced to suspend payments on its more than \$100m foreign debt last year.



The German government recently offered to spend DM240m (\$22m) over the next seven years to make the plant safe. Electricité de France has agreed to train technicians at the plant which suffers from a shortage of skilled workers

because of poor working and living conditions and low pay. A second Soviet designed nuclear plant is under construction at Belene on the Danube but completion in 1992-94 is now in question, because it is sited in an earthquake prone area of the country.

Nuclear safety is a live political issue in Bulgaria, where two former ministers are on trial on charges of covering up the Chernobyl disaster. They are accused of not informing the population about the dangerous radioactive cloud which spread over parts of the country in the wake of the accident.

Evidence in court alleged that the former communist government led by Mr Todor Zhivkov had its officials check one in 30 tonnes of food destined for export, but only one in 300 tonnes of food for domestic consumption.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)		
Bayer	598	+ 13
Deutsche Bk	629.5	- 17.1
Kaufhof	465	- 15
Springer	690	- 20
NEW YORK (\$)		
Am. Airlines	69 1/4	+ 1/4
Delta Air	69 1/4	+ 1/4
Am. West Air	2	- 1/4
Chase Minib.	16 1/4	- 1/4
IBM	9	- 1/4
Pyramid Tech.	12	- 3/4

New York prices at 12.30.

LONDON (Pence)		
Admiral	325	+ 8
Ansborough (H)	30	+ 4
Cranbrook	18	+ 3
Gardner (DC)	18	+ 12
Kembridge	24	+ 4
PARIS (FFrs)		
Club Med	473	+ 21
L'Oréal	572	+ 15
Axa	573	- 29
Ecco	370	- 24
Locatrans	505	- 16
Merlin-Gerin	475	- 15
TOKYO (¥100)		
Takafuda	1540	+ 150
Tokai Fintec	711	+ 61
Tokyo Radiator	578	+ 47
Chiyoda	2050	- 280
Nihon Nohyaku	1180	- 180
Tokyo Sokuhan	1620	- 180

Worldwide weather

Today: a bright start in most areas, but thickening cloud from the south-west and N Ireland, followed by rain, will reach central and north-west England, Wales and parts of Scotland by late afternoon and other regions by the evening. Outlook: brighter weather in the south, continuing rain in the north.

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Alexandria	28	SE	10	Amman	22	SE	10	Antwerp	15	SE	10	Baghdad	32	SE	10	Bahia	28	SE	10
Bahia	28	SE	10	Bangkok	32	SE	10	Bombay	32	SE	10	Buenos Aires	22	SE	10	Calcutta	32	SE	10
Calcutta	32	SE	10	Cairo	28	SE	10	Canton	28	SE	10	Cebu	28	SE	10	Colon	28	SE	10
Colon	28	SE	10	Dacca	28	SE	10	Dahomey	28	SE	10	Dar es Salaam	28	SE	10	Delhi	32	SE	10
Delhi	32	SE	10	Dhaka	28	SE	10	Doha	28	SE	10	Edinburgh	15	SE	10	Harbin	15	SE	10
Edinburgh	15	SE	10	Hankow	28	SE	10	Hong Kong	28	SE	10	Kobe	28	SE	10	London	15	SE	10
London	15	SE	10	Lyons	15	SE	10	Manila	28	SE	10	Medan	28	SE	10	Moscow	15	SE	10
Moscow	15	SE	10	Myittha	28	SE	10	Nairobi	28	SE	10	Osaka	28	SE	10	Paris	15	SE	10
Paris	15	SE	10	Rangoon	28	SE	10	Reykjavik	15	SE	10	Riyadh	32	SE	10	Singapore	32	SE	10
Singapore	32	SE	10	Sofia	22	SE	10	Taipei	28	SE	10	Tientsin	28	SE	10	Tokyo	28	SE	10
Tokyo	28	SE	10	Yokohama	28	SE	10	Zagreb	15	SE	10	Zurich	15	SE	10				

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Weekend FT

SECTION II

Weekend June 29/June 30 1991

Sticky question of fingers in the honeypot

IN THE Boaring Eighties the British temporarily suppressed their aversion to money: the annual reward of the highest-paid company bosses rose from an average £38,240 to £398,880. But recession and a changed political climate have seen the re-emergence of traditional, and very British, views of fairness.

John Major, the prime minister, found himself at one with Roy Hattersley, Labour's deputy leader, on Tuesday in condemning the kind of pay rises awarded to executives in newly-privatised industries.

Some of the outrage may be gratuitous. But allegations in government and press that company bosses have their fingers in the corporate honey pot are not unfounded. Are these awards really based on performance? If not, why will they be? How much money does a top executive really need as an incentive? Indeed, is money really the incentive it is claimed to be or is it just a means of showing off? Are the British just being generally squeamish about the real world of big business?

Both in Britain and the US there is a growing sense that top pay has got out of hand. In the US the prevailing 1980s orthodoxy among business school academics and consultants was that the way to improve corporate America's performance was to motivate managers by making them super-rich. But, to the disgust of shareholders, super-performance has not always followed.

US shareholders have also been asking why so many executives sit on each other's boards of directors, and in some cases on each other's remuneration committees. Can they then act impartially on behalf of shareholders? For example, the heads of American Express and Bristol-Myers Squibb sit on each other's compensation committees.

In Britain, top managers' pay has risen sharply since the beginning of the 1980s. More than half of today's 100 constituent companies in the FT-SE 100 Share Index were among the biggest in 1981. The average total remuneration (salary and bonuses) of the highest paid executive of these companies rose 381.5 per cent between 1981 and 1990. Over the same period average earnings in Britain rose by less than half as much (106.8 per cent), while retail prices increased 68.6 per cent.

But year to year, for reasons of timing, performance or plain luck, there is no consistency. While some executives are going up, others are coming down. This year, there have been many instances of chief executives taking a pay cut.

Sir Denis Henderson of ICI dropped 13 per cent, Sir David Seligson of Warburgs 15 per cent, Lord Stirling of P & O 14.3 per cent, Sir Bruce Pattullo of Bank of Scotland, who will be getting less this year, admitted that the financial services industry had been "somewhat irresponsible in the last few years."

None have British directors adopted to the same extent the US habit of sitting on each other's boards. Studies of the UK show that some 50 per cent of non-executive directors in Britain are retired executives not previously associated with the companies on whose boards they sit.

Britain is different, too, in its visceral response to top people's pay. The depth of the public's reaction raises issues about British society.

In Britain and the US there is a growing sense that top pay has got out of hand.

Simon Holberton and Christian Tyler investigate

Why such a clamour when on the European Continent what executives earn barely raises an eyebrow? In the US it would be inconceivable for a story about an executive's salary moving from £20,000 to £120,000 to appear on the front pages," said Sir Adrian Cadbury, who heads a City task force on British corporate governance.

As John Banham, director-general of the Confederation of British Industry, said when defending his troops on Wednesday: "Envy is a sad emotion to watch." Blenlyth Jenkins, director of corporate affairs at the Institute of Directors, said: "It's only in this country that top pay attracts such attention." Oscar Wilde would agree. "As a nation we are affected by underlying Protestant attitudes," said Paul Brown, a psychologist who advises companies. "The pay controversy is about envy; we are a quietly envious nation. The French like anything to do with pleasure, and the French like food are but two aspects. We as a nation are ambivalent about pleasure."

The recipients of big pay cheques

and fat bonuses offer a different explanation. Sir Ian MacLaurin, chairman of Tesco, the grocery chain, was awarded a 13 per cent pay rise which took his salary to £290,000. When added to a £1.09m three-year performance-related bonus, this lifted his total remuneration to £1.4m last year. MacLaurin maintains companies must either pay for top managers or see them go elsewhere. Referring to job offers, he said: "The call has come many times to me and colleagues and we have stayed."

"I certainly do not have any conscience about what we've done at Tesco," he says. "It was a no-hope company 10 years ago and now it is one of the best in the world. If we don't achieve outstanding results then we do not get the bonus."

Sir Ralph Halpern, former chairman of the retailing group, Burton and a man whose pay packet was a headline-writer's dream, says it is "quite proper" that the subject should be in the news. His retirement from the board of Burton last November was followed by a pay rise for bringing to an end the career in retailing of one of Britain's more colourful executives but also for the size of his severance pay. Halpern received £2m and an annual pension of £450,000. Yesterday Burton announced it was shedding 1,600 workers and warned of a big loss this year. Halpern's reply to criticism of his pay is acid: "You can always question those arrangements when you know nothing about them." He pointed out that he had contributed to Burton's pension scheme for 30 years and that £2m of the pay-off related to deferred performance-related compensation.

Yet curiously, after a decade in which Ministers have striven to abolish the "going rate" for workers' pay, the ideas of catch-up and comparability dominate the headlines of the boardroom. The Bank of England, in defending the Governor's 17 per cent pay rise, resorted to both justifications.

And John Baker, chief executive of National Power, a regulated utility operating in a duopoly, said of his 30 per cent increase: "I am not in the remuneration which has caused such a row this week: 'It (National Power) is included in the FT-SE 100 Index, and one would expect remuneration throughout the company to be in line with all that implies.'"

It is this kind of explanation that upsets nervous Tories. "Any idiot can run a monopoly," said Anthony Beaumont-Dark, Conservative MP for Birmingham, Solihull, and a director of several Midlands companies.



They're helping not to build capitalism, but destroy it. If we don't stop them now, the Socialists will win. They are doing tremendous harm to the party."

Students of human motivation take a more sideways view of incentive pay. They say the money is secondary to the sense of gratification, the status and public prominence it confers. Cary Cooper, professor of Organisational Psychology at Manchester School of Management, believes it all hinges on status. "In their climb to the top they have sacrificed a lot - their families, their health - and they want recognition and a pay-off for that. It's the status the money gives them; not the money itself."

Pay is a metaphor for personal worth. Said Paul Brown: "It is linked to the ego structure of the

person. When chief executives decide something about their salaries they are telling us about their ego needs."

"You have to remember that there is only a small club of these people. Their own sense of comparative well being in a competitive environment is bound up in their salary. It's about making statements to the competition; it's old bulls fighting off old bulls. That may be. But there are more practical questions to be answered: The extent to which these payments reflect genuine performance, or are justified by the international trade in executives; whether non-executive directors are tough enough to see fair play done; whether shareholders, especially the big institutions, are inquisitive enough about what is put inside the pay packets

of top managers. Or is it, as many businessmen have told us this week, really all a matter of better presentation and communication?"

Not so according to W Edwards Deming, the 91-year-old American management guru, whose views are today considered radical because they run so counter to fashion. He told *Fortune* last month that individual performance simply cannot be measured. Paying for it was like "rewarding the weather man for a pleasant day."

Certainly current boardroom practice would seem to fall short of the ideal - that performance should be measured and rewarded over the long term. A survey by Korn/Ferry International, an executive search consultancy, shows that eight out of 10 companies have very short horizons. Their idea of the

long-term are schemes which are triggered every 12 months.

As for marketability the ground looks a little firmer. John Grumbar, managing partner in London of Egon Zehnder, one of the world's biggest headhunters, said there was genuinely international trade in top executives in sectors such as finance, motor vehicles, high technology. The number of such sectors was growing. Still, at the highest level of British industry - and French and German industry for that matter - the number of foreigners running big companies is tiny.

Many believe that those who hold the key to the whole controversy are the non-executive directors who ought to be controlling the pay committees of a board. Joe Palmer, chief executive of Legal and General, sits on the remuneration committee of National Power. He said that such committees do think about the reaction of a company's own workers and of British opinion. "Very often directors, like politicians, have to make decisions which are not popular with everybody. They also have to justify what they have done."

But do companies have the right directors to determine pay fairly and objectively? In many cases, according to Cadbury, an active campaigner for non-executive directors, they lack "people who will look after the interests of shareholders instead of having too cosy a relationship".

Ab, the shareholders. Why should they? Small investors and City institutions alike - complain about the big rewards for bosses so long as their companies are performing well? Small shareholders may complain at the annual general meeting. The institutions are more shy: their own chief executives are some of the most highly rewarded men in British finance. Cases of direct intervention are rare: the best known was the institutions' challenge to Halpern's trend-setting stock option plan at Burton.

Paul Whitney, chief executive of CIN Management, which runs the British Coal pension funds, observed: "If the going rate for senior executives is consistent with the value they are able to create, it would seem logical that they are paid it. It's performance that counts, and long-term value."

Appearances are everything, said Oscar Wilde. And for big business, once more under siege from public, Parliament and press the escape tunnel carries the sign-post Better Presentation. As one apologist commented: "Unjustified pay rises carry the seeds of their own destruction. In most cases they are not unjustified. But companies don't make a good fist of presenting their pay systems openly."

This week's furore makes it even more likely that directors in British company boardrooms will be forced to be more methodical, more open and more diplomatic about how they pay their chairmen and chief executives. Clearly, Britain is still not ready for the spectacle of old bulls locking horns.

■ Dominic Lawson, Page XXII

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The Long View/Barry Riley

A year of two halves



STEVE THE stock market strategist was, I thought, looking just a little downcast the other day. The old rostrum bounces will no doubt be back next week when he embarks on his half-yearly global seminar programme, and the floppy disks start zipping through his new personal computer-based portable video projection system, but he may have a little bit of explaining to do.

"I'm uncomfortable in currency-driven markets," he confessed. "The trouble is, most of my clients are dollar-based, and from their point of view global markets have been a yawn this year. The World ex US index is only up 2 per cent in dollar terms, and Japan in particular, which is still over half of the World ex US index by capitalisation, has gone nowhere at all. In fact the Japanese market is one of my big worries. From a European point of view, naturally it looks quite different. The World index in sterling is up 26 per cent."

But when I pressed Steve further I gathered that the problem lay in more than just his failure to predict how far the dollar would appreciate this year - by about 20 per cent against the main European currencies for instance. The difficulty is that the output screens of some of his important valuation models are now starting to flash red, notably in the US where the equity market has not looked so stretched since just before the 1987 crash. It is not a situation that can stand too many IBM-style earnings downgrades.

"Right now our economic recovery scenario still holds water," said Steve. "The OECD, for example, is still predicting nearly 3 per cent GDP growth for the major industrial economies in 1992, up from 1 per cent this year. I don't disagree with that. But we are starting from a point of considerable capital market stress, with government indebtedness high and rising, led of course by Germany which is heading for DM150bn minimum of public sector borrowings this calendar year."

"So bond yields, which ought at this

stage of the cycle to be still trending down, have been edging higher. As for stocks, you know that on both sides of the Atlantic there has been a big wave of debt paydown on the back of the Q1 equity market rebound. In the UK, for instance, the scale of the pressure on earnings this year in the first half-year, and if you add in convertibles and secondary placements you are talking about £50m. Don't panic, but we have an oversupply problem here, and a quality gap too, looking at the latest candidates."

One implication I remarked, was that companies had come to the conclusion that their share prices were rather high. Another side to that was the persistent over-optimism of stockbrokers' analysts who never seemed to have got to grips with the scale of the pressure on earnings this year in the US and the UK. As for the rest of Europe, and Japan as well, economic recession was not such a problem but company profits seemed to be under a lot of pressure nevertheless.

Steve nodded. He was having a lot of trouble with his corporate earnings matrix, it seemed. There was always a big gap between the estimates of aggregate profits made by economists and strategists and the "bottom up" forecasts made by individual analysts, but the gap had recently become larger.

"Industry analysts dare not be bearish these days about their specialist companies or they may be talking themselves out of a job," he said, rather candidly I thought. "So the raw 1991 forecast data suggesting 10 per cent earnings per share growth for the UK, for instance, is having to be refactored in on a top-down basis at minus 5 per cent. Of course, it's worse for the typical industrial company because the UK market aggregates are being hoisted up by the big new privatised utility sectors which are eagerly exploiting their cosy monopolies - at the expense of more competitive sectors; needless to say."

The underlying international problem with earnings, he thought, was that even where countries were not in recession they were nevertheless at a fairly mature stage of the cycle - with

a lot of wage pressure in Germany, for example. But when the American economy recovered there would be a lot of scope for productivity gains, and this would be true of the UK too next year. Indeed, by that time company profits could be rising faster than any of the analysts were expecting.

"Let's hope so," said Steve. "My tactical asset allocation models are going to need a bit of help from somewhere if they are to give any buying signals for equities in the major markets. No wonder Wall Street has balked at pushing the dividend yield below 3 per cent. The stock market ignored rising bond yields for several months, as it often does, but the strain was building up so the minor bond market selloff in June has had a pretty immediate impact. And of course a huge volume of new US Treasury debt will be impacting over the next couple of months."

With the major stock markets moving sideways, fund managers have had time on their hands to chase one or two fringe countries such as Mexico - where the market has doubled in sterling terms in six months - and Sweden. But poor old Steve apparently cannot find any market which has actually been going down and might have some rebound potential.

"I'm beginning to worry that the short-term traders will become impatient and we will have a general if temporary shakeout before the next leg of the bull market. I still can't make up my mind whether to go firm on that for a while," he confessed. "I had to press Steve pretty hard to get him round to the sensitive subject of currencies. It seems that back in January he was correctly expecting short-term dollar interest rates to fall and DM rates to rise but he never dreamt that in those circumstances the exchange rate would move sharply the dollar's way."

"I think we will see even higher DM rates for a while," he said, "but if I dare to forecast a weaker DM on that basis this time I'm sure to be whipsawed."

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The horse that eats large cheques. Caroline Cross begins a new series on private passions page VII

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Cloudburst over Bleak House

LONDON. Trinity term in full swing, and George Walker still sitting in the Brent Walker boardroom. Implacable June weather. As much moisture on the square at Lord's, as if the waters had but newly retired from the face of the earth.

Rain everywhere. Rain up the river at Millbank, where Imperial Chemical Industries is under siege from Hanson; rain down the river at Milk Street and Lime Street, where TSB and Lloyd's of London this week reported losses of more than \$550m between them.

Rain on the Essex marshes, where Amstar announced an exceptional \$20m write-down against unsold stocks of personal computers; rain on the Sussex coast, where Nissan UK, the car distributor, was raided by the inland Revenue.

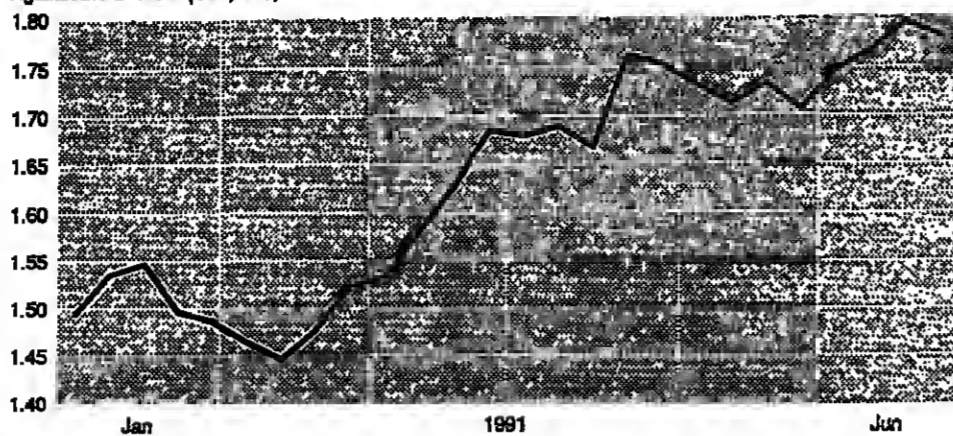
With apologies to Charles Dickens's *Bleak House*, most of the week's market-related news seemed as gloomy as Britain's atrocious June weather.

Certainly, there was a big black cloud loitering over London equities for the second week in succession. Following last week's 34.8 week drop, the FT-SE index tumbled a further 27.7 points to 2,414.8. This was its lowest close since March, marking a decisive break from the 2,450 to 2,550 trading range in which it had silted since then.

London Markets

Dollar

Against the D-Mark (DM per \$)



Source: Datastream

council was engaged in its deliberations, it looked as if Sunday's thinly-veiled warning from the G7 finance ministers and central bank governors that they would not allow the sun to shine uninterrupted on the fast-appreciating dollar had had some effect.

On Thursday night, the US currency was still worth fewer D-marks at 1.79 than it had been the previous Friday. But yesterday it resumed its upward trajectory, closing at DM1.812. Having risen by nearly a quarter against the D-Mark since early February the dollar is at its highest level against most European currencies for 18 months.

The thunder and lightning from Westminster, meanwhile, took the form of further Conservative Party lightning over Europe in advance of the Luxembourg EC summit. Whether a trace will be called in the wake of Margaret Thatcher's decision to stand down as an MP remains to be seen. Whatever the case, the City must be harbouring increasingly grave doubts over the party's ability to get its act together in time to win a fourth consecutive term.

Certainly, the government is receiving precious little help from the economy. The week's biggest statistical headlines were generated by the 31.8m May deficit on Britain's seasonally adjusted visible trade.

Equally significant, however, were the findings of the latest Confederation of British Industry monthly trends survey, which provided no sign of a recovery in demand or output among domestic manufacturers.

Serious Money

Labour will make savers earn their loopholes

By Philip Coggan, Personal Finance Editor

THERE MUST BE a general election within the next year, and given the state of the opinion polls, savers will inevitably be turning their thoughts to the prospect of a Labour government.

On page IV, Margaret Beckett of the shadow Treasury team outlines her proposals - a top rate of 50 per cent for both income and capital gains, with an investment income surcharge of 9 per cent on top of "unearned" income of more than £2,000. The surcharge will not apply to pensioners or to capital gains, but the CGT threshold will be cut heavily, possibly to £1,000.

The impact on the psychology of savers could be substantial. True, it is only three years since the top rate of tax was 60 per cent, but savers have had a very good deal over the last few years and may find the switch a bit of a shock.

Those who have more than £20,000 in investment income may be comfortably off, but they are not necessarily rich. When base rates were 15 per cent, one could theoretically achieve a gross income of £20,000 on a portfolio of just £20,000.

For such people, a marginal tax rate of 59 per cent means that building societies will be unlikely to offer a real (after inflation) return, unless the Labour Party plans to make the economy grow under punitive high interest rates.

Nor will switching a portfolio into shares look particularly attractive in tax terms. Imagine a high rate taxpayer with £100,000 who achieved a return of 15 per cent a year, 10 per cent in capital growth and 5 per cent in dividend, when inflation was 5 per cent. The portfolio would grow in a year to £110,000 which after inflation and the £1,000 relief would give him a capital gains tax bill of £2,000. In addition, on his dividend income of £5,000, he would pay 50 per cent tax on the first £3,000 and 59 per cent on the rest, or £2,800.

The total tax bill would be £4,800, compared with just £2,000 under the current system.

You may well say, why shouldn't investors pay tax on their gains? It is a perfectly fair point, but remember that the description of such income as "unearned" can be rather misleading. Most people's savings come from money they have already earned, and paid tax on. They have chosen to save it, rather than spend it, and a large part of the interest or capital gain they receive merely compensates them for the impact of inflation.

Nevertheless, I do not want to dwell on the political argument, but merely point out that many people will not be able to pay these increased taxes if they will look for any tax loopholes available.

The prime motto for such people is a shop now while tax loopholes last. Personal Equity Plans (PEPs) do not appear to be very popular with Labour, so there may well be a case of taking full advantage this year. That is not necessarily the case that you should rush out and put the full £5,000 into shares now - the stock market may have further to fall as it absorbs the depth of the recession and the sheer volume of rights issues.

But there could well be a case for feeding monthly payments into a PEP, or simply waiting for the FT-SE to drop a couple of hundred points or so, and then taking the plunge.

The Business Enterprise Scheme is certainly set to disappear. In its current form under Labour, as the market-ing man will doubtless be reminding investors shortly, it will be a thing of the past. But here one needs to be careful - one of the oldest financial rules is not to make decisions purely for tax reasons. It is no good saving 60 per cent in tax and losing 100 per cent of your investment - and some BES schemes, even those asso-

ciated with property, are very risky.

Tax Exempt Special Savings Accounts are popular with the Labour Party - so should remain in place - but these are such good deals that they should open one immediately, if you have not already done so.

Once Labour is elected, the loopholes are set to shrink. The accountants and tax lawyers are doubtless already planning new schemes - perhaps, as is suggested on page IV, by exploiting the differential rate between capital gains and income tax. But there will be a limit in that investors will have to pay a minimum level of tax.

One big set of gains is likely to be the life insurance companies - at least on what is currently known as Labour's plans. There may no longer be life assurance premium relief, but the tax-free sum on maturity will be a powerful weapon in the salesman's armoury, as will the relief (at least probably only at basic rate) on personal pension contributions.

One of the Conservatives' core beliefs - the drive for wider share ownership - will be stopped in its tracks. That may not upset Labour too much, but it is ironic that the investment institutions, which after all are the "City" - will be "killing beneficiaries from their policies."

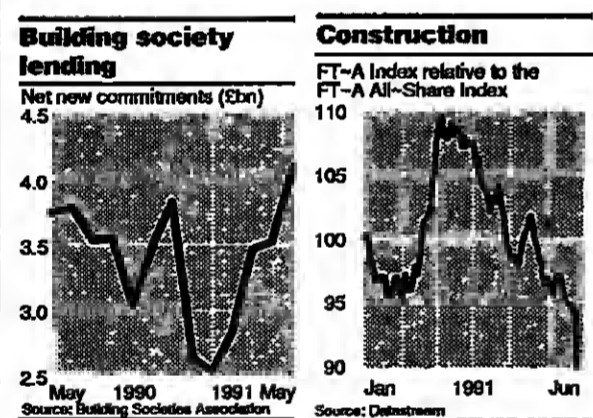
There may also be a revival in the housing market, since owner-occupied homes will still be funded by the state, and the money to pay off debt on a larger house? Britons have done it before.

And of course, a lot of money will simply vanish offshore. The tax rules may appear to be tight, but without exchange controls, someone who is determined to evade tax is bound to find an offshore centre that will quietly take his money. It may not be legal, or ethical, but it will happen.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1991 High	1991 Low	
FT-SE 100 Index	2414.8	-27.7	2545.3	2054.8	Setback in Tokyo
Afford-lyons	518	-31	584	460	Weather/recession hit bear sales
Amstar	52	-14	93	51	Profit write-down warning
BPB Inds	185	-15	252	171	£125.5m cash cost
Beazer	85	-62	195	79	Profit warning
Burton	44	-20	109½	42	Rights issue
Fisons	478	-32	512	345	Profit-taking
Gardner (DC)	85	+31	130	53	In bid talks
Grand Metropolitan	720	-35	839	623	Fears of EC duty hikes
Hawker Siddeley	530	-31	624	417	Analysts forecast cuts
Rank Organisation	637	-36	779	562	Analysts' caution
Robinsons B	983	+52	988	635	Good figures this market
Storehouse	97	-5	126	94	Slow clothing sales
Trafalgar House	223	-31	275	178	Bid for Davy Corp
VSEL	424	+25	438	330	Submarine order hopes

AT A GLANCE



Building society lending still slack

Lending by building societies increased by almost 15 per cent last month but the underlying trend was down after allowing for the usual seasonal upturn in business. Net new commitments rose to £4,076m in May from £3,691m in April; more than 90 per cent of which was in the form of new mortgage advances.

However, Mark Bolat, director-general of the Building Societies Association, said that May was traditionally a buoyant month for mortgage lending. "On an annual comparison lending is virtually unchanged compared with May 1990," he said. "Clearly, the recent reduction in mortgage rates has not yet resulted in a significant increase in mortgage demand."

Meanwhile, the number of people in arrears on their mortgages or having their homes repossessed was at an all-time high this week, according to research funded by the Bank of England. The survey, published in *Ricci*, the magazine of the housing charity Shelter, showed that the number of properties repossessed almost doubled from 20,640 in March 1990 to 47,940 in March 1991. One in 12 people with home loans is at least two months behind with payments - more than double the number last year.

Construction sector buzzes

It has been a busy week for news from construction and building materials companies. On Tuesday Beazer announced plans to reschedule up to £1bn of debt and revealed further details of its plan to float off its UK based housebuilding and contracting businesses. On Thursday BPB Industries, Europe's biggest plasterboard manufacturer, announced a £125.5m rights issue and 28 per cent fall in pre-tax profits to £90.6m.

Construction share prices, which earlier this year had raced ahead, have fallen sharply recently against the FT Actuaries All Share Index as hopes of a housebuilding-led recovery have faded. Builders say concern about rising unemployment and the state of the economy are deterring potential buyers despite recent falls in mortgage interest rates.

Smaller company indices slump

Down and down go the small company indices, as the early year rally fades in the memory. The House of Commons (capital gains version) dropped 1.7 per cent to 1399.58 in the week to June 27; while the County index fell 1.5 per cent to 953.83.

Societies to merge

Another building society merger was announced this week - an increasing trend in the industry. Bristol and West, the country's tenth largest building society, is taking over the Hertfordshire-based Chesnut Building Society, which ranks 37th. Chesnut was obliged to arrange a standby facility with the Leeds Permanent earlier this year after it suffered an 82 per cent drop in profits from £4.56m last year to £786,000 this year. The Bristol & West has assets of over £3bn.

Allan Reece, chief executive of Chesnut, said that the £5,000 investors will get a bonus of at least 1 per cent probably including a loyalty element if they stay with the society.

Currency account launched

Tyndall & Co Ltd has launched a new deposit account which can hold a number of different currencies. The multi currency deposit account allows the customer to switch between several currencies onshore and 10 currencies offshore, without paying commission. The minimum initial deposit is £1,000, or its equivalent in other currencies. Interest is payable at 10.25 per cent gross on sterling, down to 4.86 per cent on US dollar holdings.

HUGH McCOLL, a tough former Marine, has built North Carolina-based NCNB Corp into one of the top 10 US banks over the past eight years through a whirlwind of acquisitions.

This week he revealed his most ambitious move yet - preliminary takeover talks with another large south-east bank, C&S/Sovran, which could turn NCNB into the second largest bank in the US, after Citicorp. The news was the most startling of a slew of banking sector announcements this week which underline the forces reshaping the US industry.

For US banks are in the early stages of a merger wave which will re-order the leadership of the sector and mean greater prominence for banks such as NCNB - so-called "super-regionals" - which have been expanding rapidly from bases away from the traditional banking centres, New York and San Francisco. The driving force behind the consolidation is the fact that America is overbanked: there are too many institutions relative to demand - and mergers bring opportunities for savings.

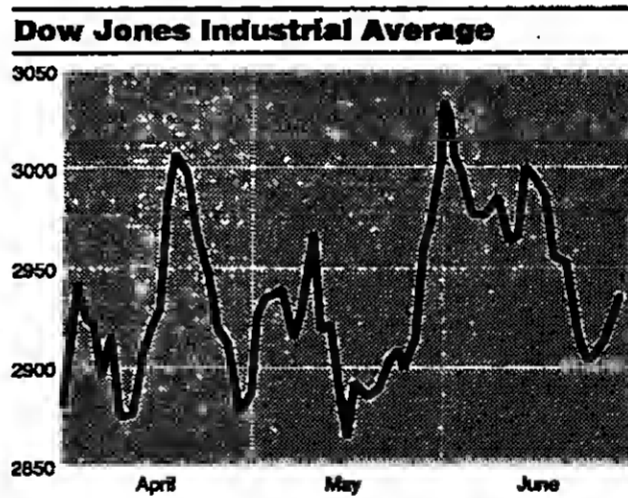
These market forces produced a steady stream of mergers during the 1980s, but the pace is quickening, for two main reasons. First, the US

Treasury's bill to reform the US banking industry, which is going through Congress with a speed and degree of support that until recently seemed unthinkable, would do away with legislation which restricts competition in the sector.

It would allow banks to branch across state borders, rather than having to run separate operations in each state. McKinney & Co, the management consultant, has estimated that the changes could save banks \$10bn a year - a huge sum when set alongside the sector's \$18.6bn of profits in 1990, admittedly a bad year.

The second factor prompting mergers is the sickness of the industry, grappling with rising portfolios of bad loans due to widespread collapses in property prices and difficulties among highly "leveraged" (in other words, indebted) companies on which the banks lavished money in the 1980s. In this climate, better capitalised and more cautious lenders can pick off their weaker brethren. The Wall Street consensus is that the industry probably has the worst of its loan problems

Wall Street Banks catch merger fever



behind it. The expectation is that most large banks will still show an increase in non-performing loans when they report second quarter results next month, but that the pace at which these are rising will be far slower than late last year and early this.

However, this week brought news which casts some doubt on this assumption. Wells Fargo, the large West Coast bank which has managed to avoid serious loan problems, in spite of an extremely heavy exposure to both leveraged companies and the property market, announced that it would be adding \$500m to its

reserve for possible loan losses, four times as much as the first quarter, cutting earnings by 94 per cent, to \$15m.

The move followed a look at Wells' portfolio by federal bank examiners, who may have pushed the institution to a more cautious classification of its loan book. Lack of detail made it difficult for Wall Street to decide whether Wells' difficulties implied more serious problems at other banks. But it may be significant that much of the increase in non-performing loans involved borrowings by highly leveraged companies - a category that has been causing the industry less pain than the property sector.

In any event, the sector's loan loss problems are putting increasing pressure on the Federal Deposit Insurance Corporation, which insures bank deposits. It warned this week that it would run out of money later this year, rather than next as previously forecast. The agency says that while it now expects fewer banks to fail, those that do will include some larger-than-average East coast institutions.

If the NCNB bid for C&S/Sovran goes ahead it will be a case of second time lucky for McColl, who in 1989 launched an unsuccessful hostile takeover for Citizens & Southern, the largest bank in Georgia. Citizens saw him off, but then agreed to merge with Sovran Financial of Virginia to form C&S/Sovran. That deal has produced a portfolio of troubled Sovran real estate loans and the bank is now willing to "look seriously" at NCNB's overtures.

It was a big week for North Carolina banks. On Monday Wachovia Corp underscored the consolidation trend by agreeing to pay \$800m to buy South Carolina National, the biggest bank in that state.

The banking sector news with most impact on the stock market was the Wells Fargo profit warning, which increased the jitters of investors already worrying about the earnings corporate America will announce over the next few weeks. That, coupled with Tokyo's plunge on Monday, meant some sharp downward movements in the indices.

Monday	2913.01	- 52.55
Tuesday	2919.11	- 2.99
Wednesday	2923.01	- 2.99
Thursday	2934.58	+ 11.52

Martin Dickson

The Bottom Line A different board battle

FOR THE past two years a price war has raged across Europe over one of the most prosaic of building materials: plasterboard. A British company (Europe's biggest producer), a large French materials group and a privately owned German company have slugged it out for supremacy at 'builders' merchants and on construction sites.

Alan Turner, chairman of BPB Industries, the British group, says that European prices of plasterboard have fallen by between 20 per cent and 40 per cent because of competition between his company, Lafarge Coppée of France, and Knauf of Germany.

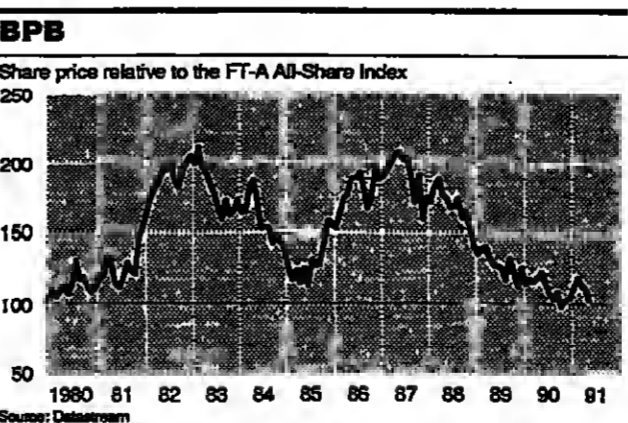
Plasterboard, invented in the US in 1890, is increasingly used for the interior walls of homes and commercial buildings. It is popular with contractors as it is easier, quicker and less messy to install than wet plastering.

The product was brought to Britain in 1917 when British Plasterboard, the forerunner of BPB, opened a plant on Merseyside. For almost 20 years BPB had a virtual monopoly on the British market. Since 1987, first Knauf and then Lafarge, the latter in a joint venture with Redland of the UK, have started manufacturing locally.

BPB's pre-tax profits have more than halved from £223.3m in 1988-89 to £90.6m during the 12 months to the end of March this year. The principal cause for this collapse, says Turner, are the effects of the price war and the recession in the UK residential and commercial property markets.

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plants. During that period BPB says that its share of the European plasterboard market has risen from 20 per cent to 57 per cent. Lafarge is the second largest producer with 24 per cent and Knauf is third with 15 per cent, according to the British group.

Borrowings however have risen sharply as the group has sought to consolidate its lead by "becoming the lowest cost producer in each of the markets in which we operate."

Net debt during the 12 months to the end of March

troubled from £39.4m to £308.7m. Gearing which has risen to 62 per cent would fall to 25 per cent as a result of the rights issue, says Turner.

Proceeds also would be used to improve production facilities, mainly on the continent and to take advantage of emerging trading opportunities in east Europe particularly in eastern Germany.

In normal circumstances, BPB would expect in the next few years to reap some of the

benefits from its large capital investments. In the UK, the housing market is poised to recover as mortgage interest rates have fallen. In France and Germany, demand for plasterboard has continued to rise. In east Germany, large amounts of reconstruction and repairs and plasterboard are likely to be required following reunification.

The problem for BPB shareholders considering whether to take up the rights issue offer is that there are no signs of price competition slackening. Turner insists that his competitors, "are walking under water" and probably losing money. Prices therefore "must be approaching the bottom," he says.

Attempts by BPB to put up the price of plasterboard in the UK in March, however, failed to stick - although it says prices of other plaster products have benefited.

The arrival of Knauf and Lafarge in the UK has led to over-capacity as new plants have been built. The three manufacturers have the capacity to manufacture up to 270m sq metres of plasterboard compared with UK sales of about 165m sq metres last year.

BPB says some of this spare capacity has been mobilised - even so it seems likely to continue to act as a drag on the market for sometime. Moreover, commercial property development, which traditionally has accounted for about a third of UK plasterboard sales, is expected to remain in the doldrums when housebuilding picks up.

Prospects might look better if the three big players were to realise that intense price competition was damaging them equally. The UK cement industry, which is similarly dominated by just three manufacturers, has managed to increase its prices this year - in spite of a 12 per cent fall in volume sales in 1990. Plasterboard sales over the same period fell 15 per cent, says BPB.

Although the company has seen its UK market share fall from almost 100 per cent in 1987 to 65 per cent now, it is one of only a handful of British companies which can boast market leadership in Europe - two others Redland in roof tiles and RMC in concrete are also building material makers.

For BPB, though, it is unlikely that margins will ever return to the high levels when the group enjoyed a UK monopoly.

Andrew Taylor

FINANCE AND THE FAMILY

The Labour Party's tax gauntlet

THE LABOUR Party threw down the gauntlet to "wealthy investors and their very clever accountants" when Margaret Beckett, the Shadow Chief Secretary to the Treasury, disclosed more details of the party's tax plans.

But tax experts warned that Labour's proposal to create a differential income and capital gain tax rates could force investors into artificial tax avoidance schemes.

Furthermore, a substantial increase in the rate of Capital Gains Tax (CGT) would discriminate against the reinvestment of assets held by individuals in favour of those held by institutional funds, a leading practitioner said.

In the wake of the government's attack on Labour's spending commitments, Beckett stressed her party's pledges were limited to increasing the basic state pension by 25 for individuals and 28 for married couples and raising child benefit to £9.50 per child.

Beckett said: "These commitments will be funded by two policies for immediate implementation. First, we will increase the top rate of tax-

ation to 50 per cent. Second, we will abolish the Upper Earnings Limit on national insurance contributions which means that 12 to 13 per cent of taxpayers will have to pay an extra 9 per cent on any earned income above £20,300, the current national insurance threshold for employees."

This gives an effective top rate of taxation on earned income of 59 per cent. Labour has not published an official figure for the level of earnings at which its top rate will bite but sources indicated this is likely to be in the order of £30,000 to £40,000 per annum.

Beckett added: "We intend to create a level playing field between earned income which is subject to national insurance and unearned income which is not."

"To do this we will introduce an investment income surcharge of 9 per cent - the top rate of national insurance. There will be a threshold of £3,000 which means that only those with savings of £30,000 or more will be hit. The surcharge will not apply to pensioners."

But the level playing field in the taxation of earned and unearned income does not



Challenging: Beckett

extend to Capital Gains Tax. The current annual threshold for CGT is £5,500 per individual with excess gains taxed at the investor's top rate of income tax.

Labour is considering a proposal to slash the CGT exemption to a "modest exemption for small savers". Sources indi-

cate this may be as low as £1,000. Gains in excess of this are likely to be taxed at 50 per cent - Labour's top rate of income tax. Owner-occupied housing would remain exempt.

Beckett said: "In principle we would like to align the rate of CGT with income tax. But the whole issue of CGT is complex and still under review."

However, Beckett stressed that the investment income surcharge of 9 per cent would not be applied to capital gains. This would result in a 9 per cent differential between the top rate of income tax at 59 per cent and the top rate of CGT at 50 per cent.

Mike Chapman, technical director at Skandia Life Assurance Holdings Group, warned that the differential would distort investment decisions by encouraging people to aim for capital gains rather than income. Chapman said: "The indexation allowance that applies to capital gains combined with a lower rate of CGT compared with income tax means it would be considerably beneficial to take profit as capital gains rather than as income."

combined with a low threshold also could create a distortion between direct and indirect equity investment in favour of institutional funds such as pension funds and unit trusts which are exempt from CGT on reinvestment of assets."

Jill Pagan, of international tax consultants J F Chown, said: "50 per cent is too much to pay every time you sell an asset to reinvest. This discriminates unfairly between individually held investments and those held by institutional funds."

Tax planners will find life under Labour quite a challenge. The Shadow Treasury is determined to increase gift and inheritance tax and to limit the aggregated tax reliefs an individual can claim. To this end it may require a minimum of proportion of income to be paid as tax irrespective of tax relief.

Beckett warned: "What we want to prevent is the current situation where very wealthy individuals with very good accounts take advantage of every tax relief and tax loophole possible to reduce their tax bills to virtually nothing."

Meanwhile the shadow social security team is examining proposals on the costs of buying pension and investment products.

Michael Meacher, shadow social security secretary, said he was taking a hard look at the high levels of commission paid by some life offices to tied agents and independent advisers on sales of pensions.

Typically more than 60 per cent of the first year's premium is paid in commission on a regular premium 25-year pension plan. Tied agents and most top banks and building societies fall into this category - generally make more.

Meacher's research may lead to the reformation of a Maximum Commission Agreement (MCA) on all sales outlets. He said: "We would consider two options. We could require across the board to set a fixed level of commission that would apply to independent advisers and to tied agents or direct salesmen."

Tokyo traumas unsettle investors

CONFIDENCE in the Japanese stock market has been shaken this week by revelations of wrongdoing among leading Japanese securities companies. Some have admitted compensating favoured clients for losses, and there are indications that a large broker may have generated activity in a particular stock for the benefit of a select few investors.

Investors in Japan and abroad must now be asking whether it is worth investing in a market in which they are at the mercy of the machinations of the Japanese securities companies.

The immediate effect is that the Tokyo market is unlikely to see a full recovery in trading volume for some time. Brokers fear that there will be a marked decline in activity by private investors, who have long been a pillar of the market.

"For historical reasons the emphasis of Japanese securities firms has traditionally been on retail customers," says Kunihiko Tanaka at Nikko Securities (Europe). Japanese brokers have been able to build up high levels of private client interest through the retail networks they have

built up over the years. Nomura Securities alone maintains 150 retail outlets throughout Japan manned by 2,900 domestic salesmen. In addition it has 1,700 highly-trained salesmen in its stock offices throughout the country.

Nomura also has a door-to-door salesforce of 3,000 women known as "Midi-san" who sell government bonds and investment trusts to housewives. This impressive retail network has paid off handsomely. Nomura now has some 5m to 6m private clients.

The concerted effort of the Japanese brokers to support shares and increase activity when trading was slow has helped the Tokyo market maintain its impressive buoyancy in the past. The danger for the market is that in trying to wipe out practices which played an important role in keeping it going, the entire system could unravel.

Brokers in Japan believe that that is exactly what lies in store. "Investors bought Japanese equities because they believed in the resilience of the market," says Takeshi Murakami, general manager of Schroder Securities in Tokyo. "Now it is time for them to recon-

sider that confidence." Large institutional funds are pulling out of the market while investors generally will continue to sell. This is a trend that cannot be stopped, according to Murakami. However, he points out that "that doesn't mean 80 per cent of the Tokyo market is a sell."

On the positive side, by drawing investors' attention to the dangers of following the advice of brokers too faithfully, the latest events should help squash the type of speculative activity that pushed shares up for the brokers' own reasons - which often had little to do with fundamentals.

The changes that the Tokyo market is going through will call for a more selective approach to stock investment. The theme-driven buying spree that saw shares in specific market sectors surge on "corporate dream" scenarios no longer have a place.

There will be more of an emphasis on stock picking, based on research on each company's performance and prospects," according to Murakami. In that respect there is room for good returns from smaller capitalisation growth stocks, he says. As the market continues to be shaken by scandal, the consensus is that Tokyo will become a long-term play for those who favour a fundamental approach.

Michio Nakamoto

A Disney production

MINNIE MOUSE may be the kind of girl who longs for a convertible, but it is more likely to be the kind of girl who wheels than the piece of paper which Euro Disney has issued.

Private investors in Euro Disney, the European version of Disneyland being built near Paris, are entitled to priority subscription rights for the recently launched convertible bond issue. The bond will pay them interest and can be converted, after a certain date, into ordinary shares.

Euro Disney is issuing FF73.97bn (around £400m) worth of convertibles to help finance the construction of a second theme park and 3,400 hotel rooms. The bonds have a coupon of 6% per cent, payable annually on October 1, and are redeemable in 2001. However, investors will hope that, before then, they can convert the bonds at a profit.

The bonds are issued at a price of FF140 and can be converted into one share per bond from April 12 1992.

Investors who keep the bonds until redemption will receive 110 per cent of the principal - FF154 per bond. That will be a yield to maturity, before the deduction of withholding tax, of 7.43 per cent. The priority subscription rights apply both to ordinary

shareholders and to UK investors who hold depositary receipts (DRs). Investors are entitled to subscribe for one convertible bond for every six shares or DRs held. If you hold DRs, you can subscribe for the convertible bonds either in sterling - at a price of £15 per bond - or in French francs.

Way is regarded as a fairly risky investment. If you want further information, you should apply for a prospectus from S.E. Warburg Securities, the lead manager for the international offering, at 1 Finsbury Avenue, London, EC2M 2PA.

Sara Webb

Pensions: long wait likely for equality

PROSPECTIVE pensioners should not get too excited about this week's statement from Tony Blair, the new social security secretary, about the equalisation of pension ages.

State pension age will only be equalised after extensive consultation and discussion. Nothing is likely to happen before the general election, and Labour will have the process of review may start again.

It is very unlikely that the state pension age will be equalised at 60 as the costs would be too great. The most likely option, believes Ian Hammond, director and actuary of GM Benefit Consultants, is a "decade of retirement", with both men and women able to retire at any time between 60 and 70, with benefits offered on a sliding scale.

On occupational pensions, the government has accepted the pension industry line. In May 1992 the European Court decided, in the case of Barber v

GRE, that there should be no discrimination in the area of pensions on grounds of sex.

What has yet to be clarified is whether the judgment applies only to pensions accrued after May 1990, or retrospectively. The government has accepted the pensions industry line that the costs of retrospective - some £40m to £50m - will be too high. However, it will be the European Court that eventually decides.

The bad news for pensioners is that the potential costs of the Barber judgment have caused the government to postpone the so-called Appointed Day under the Social Security Act 1990. After Appointed Day, all pensions would have been indexed at 5 per cent or the rate of inflation, whichever was the lower. Now, according to Hammond, limited indexation is unlikely to occur for some time.

Philip Coggan

The Week Ahead Steel yourself

BRITISH STEEL is due to present a gloomy set of results on Monday, reflecting its rapidly falling markets and intense competitive pressures.

Analysis is looking for pre-tax profits for the year ended March of around £50m against £73m a year ago. As recently as January they had hoped for profits nearer £500m but the second half has been downhill all the way. The trading profit for the period should be about £80m against £200m for the previous second half, while full year trading profits will be around £310m against £700m.

Also on Monday, PowerGen, the smaller of the two electricity companies, is expected to report pre-tax profits, on a pro forma basis, at below £27m against a prospectus forecast of £264m. The dividend recommendation is likely to be the same as the prospectus forecast of 5.55p.

One relatively safe prediction can be made about Monday's annual results from Dowty, the recession-hit aerospace information technology group - pre-tax profits look like falling by a quarter from the £55.4m reported in 1990.

Among others reporting this week, General Electric on Tuesday is expected to report a slip in pre-tax profits for the year ended March of some 5 per cent to £880m from £972m a year earlier.

Scottish and Newcastle, the brewer, is expected to turn in an increase in pre-tax profits for the year ended April approaching 20 per cent, to about £220m.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Price before bid	Value of bid	Value of bid
API	114	109	87	23.63	NBC
Brampton Hdgts	87	83	33	11.75	ABC
Better Cox	245	242	131	14.30	CSC
Davy Corp	95	81	62	11.02	Trafalgar House
Ellen	185	184	180	67.2	Oceanic Inv. Corp
Flexcello C & W	130	125	104	4.30	Norah
Goring Kerr	239	198	189	7.74	Cambridge El Ind
Kingway	25	25	25	8.45	Malind 374
Macarthy	235	228	188	11.11	Cambridge Hdgts
Magnetic Media's	54	56	43	9.80	TT Group
Radio City A	385	380	285	10.01	EMAP
SD-Scelon	45	40	43	90.67	ElectData Syst
TACE	330	325	223	23.15	Cambridge El Ind
TMO Advinc	330	325	247	25.33	Anglo Corp
Tottenham Holdings	75	81	81	7.54	Vendôme/Super

*All cash offers.†Cash alternative.‡For capital not already held.†††Based on 2.20p per share.‡‡‡Based on 2.20p per share.‡‡‡Based on 2.20p per share.‡‡‡Based on 2.20p per share.

Another victim of the Retirement Gap?



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Other Amount £ (min £20 up to max of 15% of your earnings including your contribution to your employer's scheme)

2. I am in a company pension scheme and am due to retire

Aged years on Date

day month year

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FINANCE AND THE FAMILY

The Smart Saver

Routes to serious riches

John Authers on the choices for those investing £200 a month

SAVING £200 a month is a

positive proposition. Put it in a piggy bank on January 1 and you could have £2,400 by the end of the year. Put it in a Personal Equity Plan and you have a very real chance of doing much better. If you look to the long-term.

Saving schemes in PEPs investing in direct equities are available but the best option for savers is likely to be a PEP investing in unit trusts. They are available from 43 operators, according to the latest edition of the Chase de Vere PEP Guide. When saving smaller sums, PEP charges disqualify them as a serious savings medium, but with £200 there is little problem.

By using a PEP you are exempted from paying capital gains tax, while your income is free from tax and can be reinvested tax-free. Had they existed 25 years ago, according to the Unit Trust Association, £1,000 in a typical UK Equity Income trust would now be worth £26,168. Outside the PEP, it would be worth only £20,000.

Trusts spread risk simply. Some schemes allow you to be adventurous, by holding more than one unit trust in the same PEP. This way, you make your own modest stab at portfolio management, although John Bloor of Chase de Vere warns that charges on these schemes make them bad value.

Investment trust PEPs tend to have lower charges - look particularly at those offered by Dunelm and Ivory & Stone, says Chase de Vere - and have better long-term performance, as the tables show. At £200 per month, all the investment trust PEP saving schemes are open to you.

Another advantage of these schemes, as explained last week, is "pound-cost averaging", which means that when the price drops, your savings buy more units. As Peter Hargreaves, of Hargreaves Lansdown, puts it: "In theory, unit trust savers ought to cheer every time the market goes down", though this of course is only true if the market rises over the long term.

Comparative figures are difficult to compile, as not all companies have always offered savings schemes. The tables,



compiled by Microcap, do show how much value can accumulate in a unit or investment trust holding on the assumption that units have been bought at a steady price, one month at a time. (Not all the trusts shown can be bought via savings schemes.)

As to risk, no unit trust would have lost you money over ten years, but some would have been beaten by inflation. Five investment trusts out of a total of 115 would have been worth less than the money you put into them. Many trusts, of both types, are down over the last five years.

The average return is a fairer evaluation. Over five years, according to Microcap, investment trusts bought as savings have managed 28.09 per cent growth compared with the amount invested, and unit trusts only 14.58 per cent. The median unit trust failed to beat investments in a building society, according to the UTA.

Over ten years, savings schemes look much healthier - unit trusts are worth an average of 95 per cent more than was paid into them, and investment trusts 145 per cent. Both figures comfortably beat building societies.

If you prefer to diversify into international stocks, PEPs are less useful as the top annual limit on such investments is

£200. With £200 per month, you might try "picking a winner" by putting £50 of it into an international unit trust as "risk" money. If you funded Japanese smaller companies five years ago, you would now have cause to feel smug - Schroders' unit trust would be worth 110.5 per cent more than the money you put in. A heavy investment in Australian gold mines, though, might have wiped the smile off your face - Waverley's fund lost 42.37 per cent.

Those averse to risk might be deterred by the fact that the price of collective trusts can go down. An alternative for a part of your saving is a ten-year term with-profits endowment policy, offered by a life office. It might make sense, for example, to put £150 into a PEP and £50 into the endowment.

Life advisers will not be slow to point out that you are not you as the commission paid on them is substantial. They offer a more conservative investment than the trusts because life offices "guarantee" a certain sum, and in practice you can be confident that the office will improve on this. As Hargreaves points out, the policies can register 15 per cent compound growth over ten years, if left until maturity.

The best trusts can, almost as certainly as death and taxes,

out-perform the best with-profits policies. But the worst policies beat the worst trusts and offer copper-bottomed guarantees not to lose much.

For example, Pearl, first in this year's Money Management magazine survey of ten-year with-profits policies, is currently paying £18,501 to ten-year savers who have deposited £50 per month. This is an uplift of 126 per cent, better than average unit trusts but second to the average investment trusts. The minimum which is guaranteed to pay, in the event of a "doomsday scenario", was £5,475, a loss of 8.75 per cent compared with total premiums.

Charges mean that on £200 premiums the average uplift was slightly inferior - 123.5 per cent. This follows a bonus cut. On February 1, when the Money Management survey was made, Pearl was paying sums equivalent to 136.41 per cent.

The average £30 ten-year with-profits policy was paying out 104.88 per cent at the time of the survey. The worst performer was Guardian Royal Exchange, which managed a total of 68.52 per cent growth compared with total premiums. This is better than the worst performing unit and investment trusts, but weaker than average trust performance.

Since February, bonuses have been cut by several offices. The problem with life assurance products is that you need to keep paying, regularly, for ten years to benefit fully. Endowments thus involve an element of risk. If things get worse for you in about five years you can sell unit trusts immediately, with the chance of a profit. If you surrender your endowment policy after five years you will not receive the full value yielded by the money invested.

Friendly societies, with a maximum investment per month of around £18, offer a less viable option for £200 per month savers. The clumsiness of surrendering the contracts is part of the problem, as will improve on this. As Hargreaves points out, the policies can register 15 per cent compound growth over ten years, if left until maturity.

The best trusts can, almost as certainly as death and taxes, out-perform the best with-profits policies. But the worst policies beat the worst trusts and offer copper-bottomed guarantees not to lose much.

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Savings Plan Comparison

	1981	1991
Average Martin Currie Investment Trust	£1,000	£6,484*
Average Investment Trust	£1,000	£5,489**
Average Building Society Higher Rate Account	£1,000	£2,101**

*Source - Martin Currie Investment Management Ltd based on Microcap ten year statistics relating to £1,000 invested on 1 June 1981 equally in The Scottish Eastern Investment Trust plc, Scottish Trust of Scotland plc and St Andrew's Trust plc, with income re-invested. Ten year figures are not available for the Martin Currie Pacific Trust plc as it was launched only six years ago.

**Source - Microcap, based on £1,000 invested on 1 June 1981 for ten years with interest re-invested.

MONTHLY SAVINGS OF £200 OVER TEN YEARS COMPARED

UNIT TRUSTS		
Trust Name	Present Value	Growth %
Key Income	£16886	211.4
Schroder Tokyo	£18533	208.9
James Capel Income	£17649	194.1
Bishopsgate Progressive	£17505	191.7
Capability Spec Sits	£17297	188.3
AVERAGE	£16998	184.3
Arkwright Recovery	£8374	6.2
S&P Gold & Exploration	£8315	5.2
All Dun Sec Small Cos	£8266	4.4
Independent Trust	£8177	2.9
CU Fixed & Convertible	£8165	2.6

INVESTMENT TRUSTS		
Trust Name	Present Value	Growth %
Capital Gearing	£22760	445.9
TOPI-INC	£24370	308.1
Archimedes-INC	£22362	273.0
Thurston-Dual-INC	£22368	272.8
TH City of London Ltd	£22233	270.5
AVERAGE	£21477	146.1
CSC	£6298	-12.7
Ensign	£4899	-21.7
London Amer Ventures	£4184	-30.3
Independent Trust	£4157	-30.3
World	£3240	-48.0

Source: *Financial*, (S&P) Investment Trusts, see table on 1, 6 of *Global Investment* (2000). *Office of the*

Source: Microcap. £200 invested monthly over ten years to 1.5.91 (total investment £2000). Other to 31.12.90.

Investment trusts rush to cash in

INVESTMENT TRUST managers are rushing to launch new issues as the sector continues its revival.

County Smaller Companies is raising £25m to £25m via an offer-for-subscription of ordinary shares, with warrants attached on a one-for-five basis. The shares are being issued at 100p. Applications are due by July 10 and the minimum investment is £1,000.

The underperformance of smaller companies in 1989 and 1990 is cited unsurprisingly, as evidence that the time is ripe for recovery.

Fleming Emerging Markets is raising £20m to invest in developing countries in Latin America, Asia and the smaller markets in Europe. These markets offer the prospect for faster economic growth than the developed countries, but the liquidity of shares is limited.

The public is being offered 150 shares at 100p each. Warrants are attached on a one-for-five basis. Applications are due by July 10 and the minimum investment is £1,000.

Gartmore Scotland is a split capital trust which is hoping to raise £50m via a placing and offer-for-subscription of income, zero dividend and capital shares. The income shares resemble a temporary annuity in that they will be issued at 100p and redeemed at 1p in 2001. The initial yield will be 15 per cent paid quarterly.

The zero dividend shares will be issued at 100p and redeemed at 292.4p in ten years time, a yield of 12.3 per cent. The capital shares will offer a gross redemption yield of 14.8 per cent if the trust's assets grow at 7.5 per cent a year. The trust will be on offer to the public from July 9.

GT Japanese Emerging Companies is being launched at a time when smaller company stocks on the Tokyo market have subsided after a very

good run up to mid-1990. The trust plans to raise £50m via a placing of 10m ordinary shares (at 100p each) plus 240m zero coupon convertible unsecured loan stock. The zeroes are convertible into ordinary shares within a year of the loan stock. The ordinary share for each £1 nominal of loan stock. In addition, there are warrants into the ordinary shares.

Kleinwort High Income is a split capital trust with just two classes of shares on offer: ordinary and zero preference. The ordinary will pay dividends quarterly, with a planned initial yield of 10 per cent. The trust's assets will need to grow at 6% per cent a year over its seven year life for the ordinary shares to be redeemed at their issue price of 100p. The zero dividend preference shares will be issued at 100p and will be repaid at 206.2p per share in 1996, a compound yield of 11 per cent a year. The new trust is intended to raise a minimum of £17.5m. Applications will close on July 24.

Murray Johnstone Split Capital offers a combination of income, capital and zero preference shares in a fund which will invest mainly in UK blue chips. The income shares will have a starting yield of 14 per cent, payable quarterly, and will be issued at 100p with a redemption price of 50p in 1996.

The capital shares are being issued at 100p, a 37 per cent discount to net asset value, and will offer a gross redemption yield of 13 per cent if the trust's assets grow at 7.5 per cent a year. The zeroes are issued at 102.5p and will be redeemed at 215p in 1998, a return of 11 per cent per year.

Investors can also buy a package of shares which will be traded separately. The trust expects to raise at least £27.5m via an offer for subscription.

Philip Coggan

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Associated Farmers	350,000	175	1
Cable & Wireless	15,000	80	1
Caledonia Intv	70,000	258	1
Elge	150,000	146	1
Ferguson Intv	100,000	257	1
First Leisure	843,848	2,125	1
Lloyd Thompson	100,000	380	1
Lovell Vt	12,500	19	1
Macfarlane Grp	25,000	44	1
Moviel	12,000	34	1
Neotronics Tech	10,000	13	1
Record Holdings	50,000	44	1
Regalint	2,287,000	1,827	1
RMC	2,000	13	1
Rofe & Nolan	250,000	450	1
Royal Insurance	5,000	22	1
Suton Healthcare	372,186	737	5
T & N	14,000	21	1
Winton	11,554	28	1

PURCHASES	Shares	Value	No of directors
Associated Farmers	350,000	175	1
Bilham LJ	14,000	13	1
Cohen A	3,508	17	2
Copymatics	50,000	21	1
London Atlantic	30,000	21	1
Scottish Heritable	201,000	21	1
Value & Income Cvt	25,000	31	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (7) 100% subscription of stock, with a value over £10,000. Information released by the Stock Exchange 17-21 June 1991/1991.

Source: Directors Ltd, Edinburgh

SCOTTISH Heritable Trust, the troubled holding company, has seen two directors buying in recent weeks. One is Sir Ian MacGregor, former chairman of British Steel and the National Coal Board, who is a non-executive director, the other is Roy Shepherd, the recently appointed deputy chairman. The group is seeking to make disposals to satisfy bank demands, and is also looking to recruit a new managing director.

The joint investment directors of Value and Income Trust have been consistent and heavy buyers over the last few months. This purchasing has been seen across the investment trust sector, although in Value and Income both the frequency and size of the transactions stand out.

Part of Lord Delfont's sale in

First Leisure was option related, although the bulk was a reduction of his beneficial holding. The entire board of Sutton Health Care followed the announcement of good results with a substantial reduction in their holdings. Apparently the stock was released following pressure from brokers for stock to satisfy institutional demand. Both Roy Shepherd and Ian MacGregor have featured on the accompanying chart before, in both instances several directors have substantially reduced their holdings.

David Goldstone, the chairman and chief executive of Regal Properties, has sold a large amount of stock with the intention of re-investing the proceeds in taking up his rights entitlement.

Angus Macdonald
Directors Ltd

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Net CAR %	7.48	7.48	7.48

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FINANCE AND THE FAMILY

WOMEN beware. The well-ploughed financial services field has found a new market and it is called "woman".

Unsuspecting females have been approached by men with clipboards, some demanding their telephone numbers and thrusting brochures on them. Many companies have introduced services aimed specifically at women; some are even using all-women teams - allegedly better able to understand their financial problems than men - in an attempt to entice women to pick up the phone or walk through the door.

But what are "financial services for women"? Do they really fill a need or are financial advisers embarking on a desperate marketing ploy?

Under the Sex Discrimination Act, companies are not allowed to bring out products exclusively for women. But some motor insurance companies are able to offer lower premiums for women than for men since women, as a group, have fewer car accidents than men. Life insurance is another area in which women have an advantage. Their longer life expectancy means they can buy the same life assurance products as men but at a lower rate.

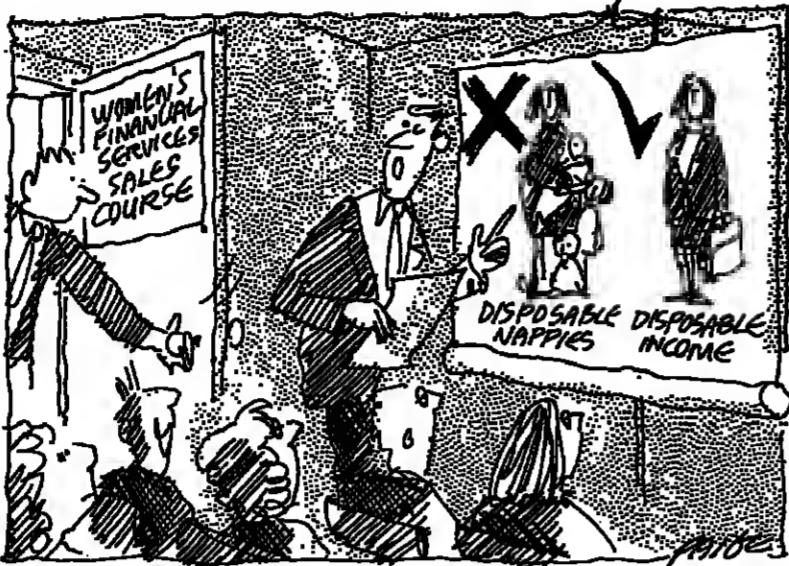
On the other hand, women are discriminated against in permanent health insurance (PHI) which provides benefit in place of wages during long-term illness. Insurance companies routinely charge women premiums 50 per cent greater than those they charge men, and in some cases double the amount, because they find women a greater risk.

Many of the products aimed at women are part of a pure marketing exercise - perhaps a not altogether unwelcome one since most financial advertising ignores women altogether.

Much of what is aimed at women are so-called "flexible" products designed to cover them for the period when they leave work for a few years to have children. Rosemary Burr, author of the book *Financial Choice for Women*, warns that "a lot of people may pay for a flexibility that they do not want."

Moreover, charges on such products tend to be relatively high because of the cost of putting on new business. And advertising aimed solely at women can be counterproductive. Women may well balk at seeing their individualism reduced to that of half mankind, something of which Mercantile and General Insurance is aware. It produces a booklet called *Financial Independence for Women* and

For women's eyes only



notes that "Female consumers are not a homogeneous group... If a particular insurance product has a 'specifically for women' label, one woman may be attracted to the product whereas another may find it patronising."

Changing demographics have alerted financial services to the potential of a new market. There are more than 11m economically active women, although just over 4m of these are in part-time work. The percentage of working women between the ages of 25-34 is projected to increase to 76 per cent by 2000 compared with 67 per cent in 1987.

There has also been a shift in working patterns over the last 20 years; the government population census shows that the percentage of married women in employment has increased from 47 per cent in 1971 to 60 per cent in 1987.

Having a disposable income has made women a more interesting proposition altogether for financial institutions.

The introduction last year of independent taxation, giving husbands and wives separate personal allowances, encouraged a greater concentration in

financial assets in the hands of women for tax efficiency reasons.

Gill Clark, marketing manager of Eagle Star, an insurance company, said in an address to a conference on advertising and marketing financial services to women, that "Women represent a huge potential market... very few companies, including my own, have developed products specifically for women or indeed products that women see as relevant to them."

However, Shona Johnstone, marketing services manager at Scottish Equitable, which produces financial services for women, believes the products do exist but women have sometimes been ill-served by their financial advisers.

"You don't need to target women for products but women should be aware that some of their needs are different from men," she says.

The main area in which these needs become evident is in the area of pensions. Men tend to have an uninterrupted working life while women may want a career break. Thus, women have to watch out that the pension they

choose does not impose penalties for people who need to stop and then restart their pension. Women also tend to live longer than men but retire earlier. The upshot is that women have to start thinking of a pension earlier and have to save roughly 10 per cent more than men to get the same when they retire.

Many women also do not realise that if they get divorced and their ex-partner remarries, they lose their pension rights to the new wife. If they are widowed, they will only receive half their husband's pension.

"I feel it's about time the institutions owned up to the fact that financial planning for men and women is fundamentally the same, but it is the approach that is the important differentiating factor," says Fiona Price, managing director of Fiona Price and Partners, a group which advises professional women. Another sceptic of the "flexible" product, she believes that many women are alienated from seeking financial advice because too little effort has been made to understand their needs.

The financial services industry is keen to portray financial independence as a necessity for women in order to generate new business. But this should not detract from the fact that many women would benefit from being less dependent on their husbands, since unforeseen events such as divorce and bereavement occur all too frequently.

National and Provincial Building Society provides a financial helpline to women which gives free advice without discussing specific products.

That the financial sector appears to have woken up to women is welcome if it means that women will suffer less discrimination when they take out a mortgage or an insurance policy. But it is to be spurned when targeting women as a pure marketing exercise.

It is also ironic that some companies trumpet their concern for women but neglect them within the industry. MSF, the financial services trade union, has found that the insurance sector pays its women workers less than men - nearly 80 per cent less at the top end of the scale - and that the gap is widening.

Women should ignore the marketing hype and concentrate on forcing advisers and salesmen to disclose details of the policies they are promoting; only then can they decide whether a particular product meets their needs.

Scheherazade Daneshkhu

Tough times for gilts

THESE ARE difficult times for the gilt market. The combination of political worries, uncertainty about whether the recession is over, and concern about the amount of borrowing that the government may have to do over the next year has unsettled investors. However, while private investors may wish to steer clear of conventional gilts, some advisers suggest that this may be a good opportunity for buying short-dated index-linked gilts.

The fact that the government has started to borrow in the gilt market again after an absence of three years has led to fears of oversupply and therefore that prices will be depressed.

The government has forecast a Public Sector Borrowing Requirement of £8bn in 1991-92, but some economists consider this an underestimate and are forecasting a PSBR of £9bn-£10bn. The recently announced PSBR figure of £3.6bn for May - a figure much higher than that for the previous month, and one of the highest monthly figures in the last decade - certainly led to some concern that the government may have to borrow more heavily,

although the May PSBR figures were distorted by delays in poll tax payments and collection of income.

This has an adverse effect on the gilt market because the government has to issue gilts at a time when demand from UK institutions for UK government bonds is not particularly strong. The Bank of England has been issuing gilts in a

range of maturities for the past few months and on Wednesday this week, the Bank of England auctioned a further £1.5bn of ten-year gilts, the 10 per cent Treasury stock due 2001.

John Kendall, economist with Barings Sterling Bonds, points out that despite the large issues of new stock, in real terms the size of the gilt market will remain below its 1987 peak for a few years. However, despite this, the gilt market has been depressed by funding worries for a while.

Sara Webb considers government securities

Another gilt analyst points out: "Yields on gilts are still quite attractive, but while there is political uncertainty, there is no reason why private investors should buy gilts now as there is little chance of a rally in the market until we see a swing in the opinion polls."

However, not all gilts are unattractive. Several advisers are recommending that higher-rate taxpayers consider buying the index-linked 7 per cent gilt due 1992. This gilt is redeemed on March 23, 1992, but (because of the way that index-linked gilts work) the final coupon and redemption value are fixed by the July RPI.

Higher-rate taxpayers have traditionally been attracted to shorter-dated index-linked gilts. With an index-linked gilt both the coupon and the stock are indexed in line with the RPI with an eight-month lag. However, as the coupon is low, higher-rate taxpayers do not have to pay a high proportion of the total gain in income tax, while the gilt's capital gain is received tax-free.

Company costs query

I PROPOSE to set up an investment company, the only shareholders and directors being my wife and myself. The company will invest in stocks, shares and investment trusts to achieve an income from dividends and to make capital gains.

Will you please advise whether the costs of operating the company, for example, travelling, secretarial, office expenses, professional fees etc, may offset against the company's income and capital gains, thereby reducing the company's tax liability.

Under section 75 of the Income and Corporation Taxes Act 1988, tax relief is available for the expenses of management of an investment company (as defined in section 130), as distinct from the expenses of managing the company's investments.

Before setting up a close investment-holding company (as defined in section 13A of the Act) you should talk things over with the prospective auditors, so that they can explain the tax disadvantages.

In a local reference library, you should find a copy of the Income and Corporation Taxes Act 1988 (as amended up to last year) for example, the British Tax Encyclopedia or Simon's Taxes.

Wills and the handicapped

I am writing to inquire about wills and testaments and the mentally handicapped. I am responsible for the care and attention of my younger sister, who is mentally handicapped and lives with the family on a permanent basis. Several years ago a close relative died leaving several thousand pounds for my sister.

The will took 1½ years to process and was legally complex. The money is administered by the court of protection in her name and the interest on investments is sent to me every quarter. The money is used as a sole contribution to her upkeep.

One of the solicitors who is familiar with the case pointed

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the accuracy of the information given in these columns. All inquiries will be answered by post on a non-urgent basis.

out to me that, under recent changes in legislation, it is now legally possible for my sister to make a will and testament which would become binding upon death. However, several questions arise out of this proposal. I have no quarrel with the court of protection or its administration of the money.

First, could the court of protection decide to over-ride any locally made will and implement its own decision on the money? Second, would it be wise to allow a handicapped person to go through the legal process and complexities of making a will and testament?

Third, does the court of protection have its own arrangements to arrive at decisions concerning handicapped persons and their estates?

A patient in the court of protection may have a will or codicil executed for her under the direction of the court and the court will determine whether the patient is of sufficient capacity to execute the will or needs to have a statutory will executed on her behalf.

A summons to the court of protection would be the appropriate form of setting in motion the process for such a will, but you may wish to make a general enquiry of the Court first to ascertain how the position of the particular patient is viewed.

Fencing, again

I was interested to read the letter from your correspondent who proposed to erect an electric cattle fence inside his

property to deter possible intruders.

The club to which I belong fixed strands of barbed wire to the outer side of an existing post and wire mesh fence on or close to its boundary with the club's bank of earth.

The bank and fence is accessible from a forecourt or road serving lock-up garages and adjacent houses. Children have been seen to climb the bank.

I have always understood that owners and occupiers of property owed a duty of care towards trespassers, especially small children, and should not erect hazards likely to result in serious injury.

I have voiced my misgivings but have been told that the club is entitled to protect its property and that the barbed wire will remain in place.

Apart from the moral aspect, there appear to be certain similarities between this case and that of the electric fence used to escape liability for injury on the barbed wire, even by a child, if the fence is maintained in good condition.

Liability for CGT

In last week's Briefcase column, the word "no" was omitted from the question headlined "Liability for CGT". The questioner had sold a business and wanted to reinvest in another business and asked whether there would be no CGT liability?

The answer is that there would be a liability; the admission of the word "no" accidentally gave the contrary impression.

JAPAN

NO SERIOUS INVESTOR SHOULD IGNORE ITS GROWTH POTENTIAL

The Japanese economy has been an impressive performer for over 4 decades. It has grown quite phenomenally and, even during the current world recession Japan's rate of economic growth is expected to be over 3% by the end of 1991 - one of the highest in the world.

Added to this, inflation is expected to fall within the next four months close to 2% and experts believe there is scope for cuts in both short and long term interest rates.

The long term performance of the Japanese stock market has also been impressive. And although it had a sharp fall last year, and has suffered some recent turbulence, it is making a strong recovery.

We believe that Japan looks set to come out of the world recession faster and more dynamically than the other major economies of the world.

Certainly it is an opportunity that no serious investor should ignore and Save & Prosper Japan Growth Fund could be a well established way of tapping the undoubted potential Japan offers.

REWARDING INVESTORS WELL

Save & Prosper Japan Growth Fund was launched over 20 years ago and was one of the first ever UK authorised unit trusts to invest exclusively in Japan.

Save & Prosper is part of Flemings, and is able to call on the Far East expertise of associate company, Jardine Fleming.

Flemings are an international investment management group who currently manage over £27 billion worldwide. Since its launch the Fund has rewarded investors well. The table opposite shows the value of £1,000 invested in Japan Growth Fund over various periods to 25th June 1991 with the average annual growth rate of each.

Years to 25.6.91	£1,000 invested	Average annual growth rate
5	£1,250	4.5%
10	£3,825	14.4%
15	£6,800	13.6%
20	£16,935	15.2%

*Offer to bid, with net income reinvested

LONG TERM GROWTH LOOKS GOOD

Japan's long term growth looks assured; exports are already up 8% year on year and growing. This in turn is likely to provide an additional boost to GNP with companies in the electrical and high technology sectors standing to benefit most.

New product development has always been one of Japan's strengths and now is no exception. Companies like Canon, Mitsubishi, Nissan, Hitachi and Toshiba have invested heavily in research and, with a new generation of many familiar digital products on the way, are well placed to take advantage of what could be a technology boom similar to that of the 80's.

WHY YOU SHOULD ACT NOW

We believe that Japan offers the serious investor an opportunity that should not be ignored. And, as the yen continues to strengthen against sterling any returns made on your investment over the next 12 months could be enhanced by currency gains, which we believe could be as much as 10-15% for investors who act now.

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Cheltenham & Gloucester	London Share	0462 372372	Instant	£2,500 12.25%	Y/Y
Allied Trust Bank	2 mth Net A/C	071 928 0879	2 mth	£2,000 12.57%	Y/Y
Norwich & Peterborough BS	Special BS	0783 371371	85 Day	£10,000 11.85%	May
National Counties BS	90 Day A/C	0572 742211	90 Day	£25 12.25%	Y/Y
Lambeth BS	2 Yr Term Share	071 928 1331	2 Year	£500 12.50%	Y/Y
TRISAAs (Tax Free)					
National Counties		0572 742211	5 Year	£2,000 14.50%	Y/Y
Exeter Bank		0592 50835	5 Year	£25 13.75%	Y/Y
Clydesdale Bank		041 248 7070	5 Year	£10 13.50%	Q/Y
Lambeth BS		071 928 1331	5 Year	£20 14.00%	Y/Y
HIGH INTEREST CHEQUE A/Cs (Gross)					
Caledonian Bank	HICA	031 596 8235	Instant	£11.00%	Y/Y
UDT	Capital Plus	0734 560411	Instant	£1,000 11.10%	Q/Y
Chelsea BS	Classic P/Acc	0242 521391	Instant	£10,000 11.80%	Y/Y
Northern Rock BS	Current A/C	061 255 7191	Instant	£25,000 12.30%	Y/Y
				£25,000 11.81%	May
OFFSHORE ACCOUNTS (Gross)					
Leeds Permanent Overseas Ltd	Overseas Gold	0824 626268	Instant	£50,000 12.50%	N/Y
C & G Channel Islands Ltd	Guernsey Gold	0800 717505	Instant	£10,000 12.55%	Y/Y
Bradford & Bingley Douglas	Maximiser Ind	0824 682883	90 Day	£5,000 11.50%	Y/Y
Yorkshire BS Guernsey	Offshore Key Excess	0481 719888	180 Day	£50,000 13.00%	Y/Y
C & G Channel Islands Ltd	Guernsey Bond	0800 717505	12 Mth	£10,000 12.25%	Q/M
GUARANTEED INCOME BONDS (Net)					
American Life FN		081 680 7163	1 Year	£50,000 8.25%	Y/Y
CCL Assurance FN		081 752 0200	2 Year	£5,000 8.20%	Y/Y
Prosperity Financial FN		0800 621546	3 Year	£2,000 8.30%	Y/Y
ASSON FN		071 536 8800	4 Year	£50,000 8.45%	Y/Y
Provident Capital FN		0296 769666	5 Year	£10,000 8.60%	Y/Y
MAT SAVINGS A/Cs and BONDS (Gross)					
Investment A/C			1 Month	£5 11.00%	Y/Y
Income Bonds			3 Month	£2,000 11.75%	Y/Y
Capital Bonds C			5 Year	£100 11.50%	Q/M
MAT SAVINGS CERTIFICATES (Tax Free)					
36th Issue			5 Year	£25 8.50%	Q/M
5th Issue Linked			5 Year	£25 4.50%	Q/M

All rates (except Guaranteed Income Bonds) are shown Gross

* Gross Equivalent Rate. Fixed Final Rate (All other rates are variable. Q/M - Interest paid on maturity. N - Not Rate. Y - Yield)

Source: Moneyfacts, The Monthly Guide to Investment and Mortgage Rates, Woburn House, Station, Norwich.

PERSPECTIVES/GARDENING

Private Passions

A horse! a horse! it's costing me my kingdom

HAVE YOU ever imagined reversing a five-ton lorry up a twisty lane, scraping parked cars one side to avoid a deep ditch on the other, at the crack of dawn on a Sunday morning? No, I did not either. That is, until I realised a childhood dream: to own a horse.

Buying him was easy. I just wrote a large cheque. Keeping him was easy, too, regular large cheques. But, having a full-time job - and in London, too - justifying this expenditure simply for a bit of fun over the weekend was not.

I bought my horse, my beautiful, eight-year-old, bay-hand gelding Arab/Connemara, with a crooked, white only on his nose and a big tummy - after riding him for a couple of weeks and with the intention of schooling him for a couple of years before passing him on to my daughter, who by then would be big enough to cope with him: a good enough justification for the expense, you may think.

But it hasn't worked out that way.

With my child safely away at school, "Schweppes" took me seriously in hand. He trotted on my toes, lifted me with his nose and helped himself to tit bits from my pocket. We got soaked together, baked together, exhilarated together, tired together, every weekend. He spooked at gates, water troughs, played up disgracefully in traffic, but listened to my every word, took me through the bluebell woods, down bridle paths and far away across the countryside, over logs and ditches, watching the seasons change, the lambs grow up, the leaves unfurl, turn golden and finally fall.

He whickered when I called him from the field gate, striding towards me with ears flicked back, looking for a carrot and cuddle. In winter all snuggled up in his New Zealand rug and in summer wearing his own golden coat, his unruly black mane with white streaks blowing in the wind.

No one noticed me out in the country; the deer continued grazing, rabbits feeding, pheasants pecking and hares playing their own mad March games as Schweppes and I trotted by.

But, said the stable people, he can jump. He can do anything. He has won rosettes - given a dressage competition - he was a challenge, exciting. We started to improve - no, I started to improve. Smart gear was bought (a nice jacket and leather boots are not cheap) and the two of us joined teenagers going to local shows (they had been there, done that, told me to talk to him and go for it). He frightened me to death. Nerves jangling, adrenalin pumping, decked out in body protector (for me) and show jumps, cross country courses, why not dressage, why not something more sensible, why not just hack? Why not another hobby?

But that is half the attraction: the danger, the excitement, you and your horse galloping together, jumping together, hopefully staying together. So, it is up at dawn every weekend in all weathers, nerves aflutter, plaiting and grooming, handaging and rug-ging up, oiling hooves, loading and driving off in the horse-box.

Ah, the horsebox. Essential to get to all those shows down those terrifyingly narrow, twisty lanes. Actually, it is an ex-Southern Electricity Board lorry, converted to carry two horses, and a groom's compartment with room to install a gas ring, sink and fridge. The box cost much more than the horse.

A horse, together with a bridle, saddle etc. will cost from £2,000 upwards. This rises to much, much more if you buy anything fancy like a thoroughbred hunter or show-jumper. But you do not want one of them unless you are an expert. Take advice from one of these as to what would suit you.



Caroline Cross and Schweppes trot through the Hampshire countryside

Trevor Humphries

However, buying the beast is only the beginning. Livery charges, although they start at around £20 per week for DIY - which of course is not possible for anyone living in a large town - soar up to around £100 per week at a top yard. And do not forget the shoeing bills. Working liversies are often the best option, starting at about

£40 per week whereby the stable uses your horse for its clients on days you do not need him.

But before taking a deep breath and reaching for your cheque book, I was told, have the horse vetted and vet the yard yourself: any sign of sparse bedding, rickety fences, loose barbed wire about - any

where - or you do not like the owner, find another yard. And once your steed is pronounced sound in wind and limb, insure him. He may turn out to be a "Friday afternoon" horse and prone to accidents, whatever the vet's verdict. Serious vet's bills are about the only thing I will not have to fork out for out of my own pocket.

Caroline Cross

THE ROSE growers talk these days seems to be all about short varieties, patio roses that look like cut-down shrubs and ground cover roses that sprawl all over the place but never get more than a few inches off the soil.

Breeders have made good progress with these and there is certainly a use for them in the modern garden, small and sheltered. But I want to consider a type of rose that is about as different from these as you can imagine: the big bush roses that can bring height into the garden without needing to be tied, roses as different from one another as Blanc Double de Combert, Cerise Bouquet and Fruhlingsgold.

All are favourites of mine. Blanc Double de Combert is almost a pure rugosa rose, deep semi-double pure white flowers, and plenty of good green foliage. With me it has always been a completely trouble-free rose, which is more than I can say for all the highly rated shrub varieties. Nevada, for instance, which suffers so severely from black spot in my garden that I have had to abandon it. Fortunately this is not a general experience and in most gardens Nevada is a magnificent rose with large, pearly pink flowers fading to white.

Another of the rugosa roses that I rate highly is Rosea de l'Herminette, whose flowers are large, deeply lobed but opening to a loose semi-double flower, purplish-crimson with a centre of golden anthers. It is richly fragrant and throws its perfume well. Graham Thomas (see the accompanying article by Robin Lane Fox) recommends planting it with blue hydrangeas and I have no doubt that this would be a very effective contrast but it is also a reminder that this is a long season rugosa variety. Most of this kind would finish flowering and be getting on with ripening their hips long before any hydrangea flowers started to colour.

Cerise Bouquet is a very attractive rose with grey-green leaves, semi-double rose-pink flowers and a tall, arching habit. It is frequently grown as a climber, usually tied to a pole, maybe at the back of a border, but it is classified as a shrub rose and certainly can be allowed to stand freely if there is room for it to flop about a bit.

The same is true of Fruhlingsgold which has large, single, light-yellow flowers and nine to 12 stems that can arch outwards to make a very wide bush. I saw one in a tiny garden recently which had been pruned to prevent it occupying all available space and was covered with flowers. It looked



Perfectly pink: the rose Complicate

Roses that don't need tying down

magnificent but I wondered what the owner would have to look at for the rest of the summer. It does sometimes flower a second time but not so freely and it cannot be relied on.

The first rose to flower in my garden is Cantabrigiensis, which got this name because it appeared as a chance seedling in Cambridge Botanic Garden. It needs plenty of room because it makes a really big bush and it is smothered in small, single, yellow flowers towards the end of May. It can be confused with Canary Bird which also flowers in May. However, it lacks the bristly stems of

Cantabrigiensis and is a deeper yellow but not as naturally healthy, which must also be the charge against Rosa hugonis, probably a parent of both these early roses.

One of the best of the so-called hybrid musk roses is Penelope. It is rather stiffly branched and can make a big bush given time. Its flowers are quite large, semi-double, born in clusters and peach pink when young paling to light green with age. This is a rose that will go on flowering for some time though it is the first flush, in mid-summer, that is the best, often with a second attractive

display in autumn. In this hybrid musk group I also rate highly Buff Beauty, which has big apricot coloured flowers and tends to be broader than it is high; Cornelia, salmon-pink and with an exceptionally long flowering season; and Moonlight, which is pure white when fully out, very free flowering and so tall that it can be used as a climber.

A wild rose to be recommended with a little reserve is Moyesi for it branches in a very angular way and can be a menace in a small garden, but where there is space for it to develop freely it is magnificent, with single, deep-crimson flowers followed by long, waisted, bright scarlet hips that hang on for months. It is more spectacular in fruit than in flower. A more practical plant for most gardens is its variety, Geranium, which is more compact in habit and more reliable in flower colour and hip size. This is because it is a clone which must be renewed vegetatively whereas Moyesi is a wild species which may be raised from seed with consequent variability.

Complicata is an extraordinary rose: no one appears to know anything about its origin or where it was given this odd name, for there is nothing complicated about it. Imagine an extravagantly good dog rose with pink and white single flowers up to six inches across and you have a fairly good idea of it. It only flowers once each year but when it is in bloom there is nothing to surpass it.

Perhaps the nearest thing is the rose that is known both as Wolly Dog's Rose and also as Rosa villosa Duplex with the last one most preferred by experts. My preference remains Wolly Dog because it is that bit more of a dog rose, but when it is in bloom there is nothing to surpass it.

I have kept my own most indispensable shrub rose to the last. Rosa glauca, which used to be known as R. rubrifolia, is a superb foliage shrub with pretty pink and white flowers followed by globular, brownish-red hips. But is the grey leaves variously flushed with shades of mauve and purple at its brightest at the ends of the young stems that makes this rose such a striking plant. It has steadily increased in popularity as gardeners have become familiar with it and it fits well into almost any company. It is also virtually thornless.

Arthur Hellyer

Bring on the lions

ROSE COTTAGE, built in the 17th century, is true to its name - or it would be, were it not for the deer.

My idyllic retreat has tiny scented roses climbing profusely over its door, ramblers adorning its fences and hybrid teas in the borders. But all these, and many other plants besides, are under constant threat from marauding deer.

Last year, in one night of glorious chomping, roe deer from nearby woods demolished every delicate but on the old French rose, Souvenir de la Malmaison. Delighted at their find, they returned again and again and in a series of dawn raids put paid to the first flowerings of virtually every rose in the garden.

There are 101 remedies for repelling these pretty, destructive animals - which, according to the experts, are on the increase throughout much of southern England, wherever open fields and woodland meet encroaching houses. None of the remedies is very effective.

The cheapest and oldest is human hair, stuck into nylon pop-socks and hung around the garden. The deer are said to shy away, although not if the

hair has been shampooed.

Most proprietary products involve some evil-smelling substance which is supposed to spell danger to the deer. Some are specifically designed for deer, others are said also to deter rabbits and even cats and dogs. You spray around the plant, or dip rings in substances such as creosote or Jeyes fluid and hang them where you think the animals enter the garden.

Harry Pepper, of the Forestry Commission's Conservation and Wildlife Research Department, has been trialling such products for some years. "We've used some things with such incredibly disgusting smells that it's as much as we can do to stay in them," he says, "but the deer don't turn a hair."

Andrew Halstead, entomologist at the Royal Horticultural Society, has prepared a leaflet for despairing RHS members. This (available only with a stamped addressed envelope from the RHS at Wisley, Surrey) concludes that fencing at least 6 ft high is the only sure way of keeping out deer.

Deer are very destructive in gardens they go not only for roses but a whole range of

plants with succulent shoots. They are also a nuisance to farmers, foresters and the commercial growers, debarking trees or lying low in grass silage and wheat fields, a danger to themselves and to the harvesting machinery.

No one seems ready to estimate the size of the market for repellents but it is clearly substantial enough for Dalgely, a leading agribusiness company, to be researching the most exotic solution yet.

Everyone seems agreed that to repel deer you must arouse their sense of danger. Dr Jerzy Miodkiewicz, head of the Dalgely research programme, reckons that even the English animals have some sort of folk memory. This makes them fear "big cat" predators which would once have threatened them. The company is thus hoping soon to market an exotic "cocktail" spray smelling of lion and tiger dung.

Earlier this year, in desperation, I rigged up cages of chicken wire around my most precious plants at Rose Cottage, as well as hanging up several smelly devices. Lion spray would be a lot simpler.

Bridget Bloom

The foreign backbone of England

OLD FASHIONED roses are the backbone of stylish English gardens: the last two weeks see this backbone at its best, in the National Trust garden which is the memorial to his work.

Basically, the man shone perfectly. Rose Black numbers One and Two; the popular press were scrambling for Pimms and bushes of Rubraiter in containers; the scent of Rose Constance Spry breathed high-class bath powder from the wall behind our heads.

The grand old man of British plantmanship is Graham Thomas, acknowledged master of the families of older roses. At Mottisfont Abbey, near Romsey in Hampshire, you can visit a sequence of walled gardens with which the National Trust now honours his work. Since 1972, they have been devoted to the old-fashioned roses and distinctive style of herbaceous planting which Thomas sponsored during his many years as Garden Adviser to the Trust's properties.

It is a garden which is still improving. It would be good to see a merger with the national collections of old-fashioned pinks and hardy carnations instead of the inferior types of dianthus which now loom large in the herbaceous sections. Labour permitting, it would also be good to see more use of formal training of old roses on to firmly-shaped frames for individual display.

Perhaps these developments and others will come in time, but for the moment, the question which fascinates me is one of history.

Graham Thomas and others have constructed a history of the rose's blood-lines which may well be correct. It begins with a few wild species, continues to a romantic merger between roses from China and Europe after the Crusades and other cultural contacts. It reaches the Empress Josephine, wife of Napoleon, and within 30 years, it breaks down in a maze of hybrids with romantic French names.

At this point, the experts write encyclopaedias. I want to know who bought and patronised this state of new roses in France from 1850 to 1910. They do not spring to mind in French novels of the period: even more odd is their disappearance after 1914, a grand act of cultural amnesia which cannot be blamed on the rise of the French mania for cooking.

I have my own schematic history of the old-fashioned rose's recent past and last week, in the sunnier, I counted it on the Grand Old Man himself. He endorsed it, probably because I had first learnt it from his writings, but it is not a widely-remembered story. Nowadays, people tend to assume that the long-lost old roses are a particular English heritage.

The first act in the story is relatively straightforward. The hundreds of new French roses from 1850 onwards were bought by French gardeners, not by a small circle of breed-

ers. If any of you have old French nursery catalogues of roses from 1850 to 1910, a copy of them would be extremely welcome. The prices make fascinating reading and so do the names.

Some of the French names which we know best are in fact later nicknames given by imaginative Englishmen when the French varieties came back into fashion. My favourite pale pink rose is the exquisite Fantin Latour, but the rose was not named in the painter's lifetime. The name was given later by an amateur Englishwoman because the flowers reminded her of his paintings.

The next act is near-oblivion in France. Very few collections

Robin Lane Fox considers a matter of garden history

of the French rose-heritage persisted after 1914, but the most important point to be made is that the roses did not die in the gardens at Bagatelle. In England, only a few of the hundreds of French beauties had become established and almost nobody realised what a vast range once existed. Only one French variety had been named in honour of an Englishman. You can still see it at Mottisfont, the prickly purple James Veitch, which has recently been rescued.

Surprisingly, a far bigger range survived in Germany. In a nationally-sponsored collection at Sangerhausen in the north-east. Here, devoted German rosarians preserved a huge selection of the very roses which the French public had abandoned since 1914. I lived on during the dark years of the 1930s, a survival whose history, to my knowledge, has never been fully traced.

In England, independently pre-war high society was on the move. My favourite pale pink rose is the exquisite Fantin Latour, but the rose was not named in the painter's lifetime. The name was given later by an amateur Englishwoman because the flowers reminded her of his paintings.

The Lindsey catalogue of old roses is a lush bed of opulent prose, knowledge of which I owe to an alert *Weekend FT* reader. In the neglected gardens of Sissinghurst Castle, Vita Sackville-West and Virginia Woolf would sport in each other's company among long-lost varieties of rose, one of which, they thought, was surviving only in their garden. In fact, it had been known since the 18th century, but the atmosphere of historic roses of old roses gave it a new life.

While Englishwomen sported and lamented the dear lost roses, over a thousand of the old French varieties were growing safely, unrecognized in German care. After 1945, Sangerhausen fell into the Communist zone: the roses survived and it is from their list that many of the reintroductions by Graham Thomas and others have been made. In the 1930s perhaps 50 varieties in-

gled on in the care of "three rather broken-backed nursery-men" as Graham Thomas describes them. One of them, E.A. Bunsard, struck me as a serious character. He was in the early years of Sissinghurst when I was able to examine Vita's early garden notebooks. Sadly, he killed himself, and after the war the main champions of old roses in the trade were Graham Thomas and his highly talented partner, Jim Russell, a man with a truly aesthetic sense.

Old roses are widely seen as the essence of an English country garden: historically, they are nothing of the sort. They began in France and have survived in a far greater quantity in Germany, for years under Communism.

Worldwide, England is not even the unchallenged guardian of the legacy. This winter, the International Conference on the old rose was held miles from Mottisfont, out in New Zealand. Four hundred and fifty delegates attended in a country where the old roses reveal in the climate and bushes of old roses grow to a height which we would never credit.

In England, the recent attempts to sponsor an Old Rose society have so far led to only a few hundred members: in New Zealand, a similar society quickly attracted 1,800 enthusiasts. Perhaps New Zealanders like little societies, but it looks as if England may learn from them. The future may lie with Rosa Andropoda, not with the rain-soaked varieties of an English weekend in June.

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HOW TO SPEND IT

International man buys ties in France, shoes in London...

A question of style...



David Montgomery is wearing one of his favourite Ralph Lauren knitted jackets in pink, green, blue and yellow with a Brooks Brothers shirt, a tie from Disneyland, cotton pants by Maritine Giraud and Gucci loafers. Next, aged two, is wearing a tweed jacket by the Fairbanks Clothing Company from Patricia Wiggan (72, New Kings Road, London SW6). His button-down shirt came from Bloomingdale's, his bow-tie from Patricia Wiggan and his boots from Buckle-My-Shoe at Harvey Nichols.

DAVID MONTGOMERY is a very successful photographer who can turn his lens as skillfully on the Queen as on Frankie Howard, and on Colfax & Fowler as on Designers' Guild.

He could best, I suppose, be described as an eclectic dresser. He hardly ever has to wear a suit ("though, of course, I do when I'm photographing the Queen or the Prime Minister") but when he does it tends to come from Marks & Spencer.

"I've got a very nice grey flannel suit from them. The thing about Marks & Spencer is that I can walk in and find something that fits. I'm lazy. I can't stand going into smart places and having somebody fussing about it. If I don't find something I want in five minutes flat, I'm out. I hate sales people telling me how great I look."

Not much of his shopping is done in the UK but "when we are abroad or on holiday, Martine (his wife) and I are dangerous. We shop till we drop. Somehow in this country when I have free time I don't feel like spending it in shops but I always shop in America and in Italy. In the malls in America everything seems desirable. I buy things from The Gap for instance whereas here I've never even been into The Gap."

"When I'm photographing in Italy, I'll probably work for two days, then I'll go shopping. I like their sense of design, their colours. I always get my shoes there. I've got lots of light brown suede loafers. My standbys are my Gucci loafers - I have at least three pairs of them, two in black and one in brown suede and one in training."

"I have masses of things by Ralph Lauren - sweaters, polo-shirts, bathrobes. I like his things because I don't like being trendy and the thing about Ralph Lauren is that you can wear it any time. It's all that American classical sunshine wear that I used to wear when I was 14 years old back in the States and that Ralph Lauren has cleverly fixed up a bit and now I'm coming back to it."

"It's very clever, everything you buy just seems to fit into place when you get it home. I can wear a pair of jeans and a

shirt for working and then throw a blazer on and go to a restaurant. It's also good quality and I'm pretty rough on my clothes when I'm working."

"I've learned though that if you see something of his that you like you must buy it straight away because they don't repeat them. For instance, one of my favourite garments is a navy cotton sweater with an American flag on the front - it's become almost a collectable now and they aren't making any more of them."

"At a party I saw a man wearing a huge Black Watch plaid duffle coat and I asked him where he'd got it. He said Ralph Lauren in New York so the next day I bought the last one by telephone. All my friends then wanted one but there are no more."

"Lots of my shirts come from Brooks Brothers - they do the best collar in the world and they also have a pocket, unlike Polo Ralph Lauren shirts which are the other ones I buy. You can buy Brooks Brothers shirts here at some branches of Marks & Spencer but only, I'm told, in blue and white and I like happy colours like pink and green. I have some shirts from Turnbull & Asser and Charvet in Paris - I wear those when I have time to put my cuff-links in."

"My underwear is from Faccanone in France and I wear Polo ties or Moschino ties, as well as some of Georgina von Etzdorf ones. I buy a little bit of Paul Smith, things like boxer shorts and some shirts."

"I have a drawer full of Argyle socks, mainly in bright colours and I must have at least eight or nine pairs of corduroy trousers in every colour. I wear a lot of cotton trousers by Maritine Giraud - my wife tells me I look good in them and if she's happy I'm happy - which we pick up at Bloomingdale's in New York."

"When I lived on my own I used to be much quicker - I used to have a lot of Western clothes, cowboy boots and that sort of thing but my wife thought it was a bit strange and she started buying me things like Argyle socks. Now I dress more classic. I've changed my style but I wear it in bright colours because the weather is so terrible here."

BARRY DELANEY, one of five Delaney brothers in the advertising business, is creative partner of Delaney, Fletcher, Slaymaker, Delaney, Bonell, and is known in the advertising business for having written more political ads (mostly of a left-wing tinge) than anybody else.

His favourite shop, the one that he says sums up his sense of style and his attitude to clothes better than any other, is Davies of 10 Great Newport Street, London WC2. Started by David Davies of DDA, best known as design specialists in retailing and graphics, Davies seems to appeal strongly to those with a feel for design, whether graphic designers, film directors, or those who work in advertising or TV.

Best, in my view, for its leisurewear - lots of lovely soft cotton shirts in plain but interesting colours, sticks in all weights and colours and sporting the discreet map of Great Britain, good summer jackets, polo shirts and sweaters.

"I came upon it - I couldn't miss it - because I work in Covent Garden and most of the advertising industry lunches in Soho so Great Newport Street is on my daily route. Most of my contemporaries go to places like Armani and Comme des Garçons where they buy the whole package and then they feel secure. But I think that doesn't show much confidence. They (Davies) there are all the things like polo shirts and T-shirts but they have no writing on them and one can make one's wardrobe feel much more personal."

"Davies has got enough of a good name to reassure but not enough to attract the insecure. The Davies' sock, though, with its little map of Great Britain, has become a little recognition symbol among those in the know."

"I like understated English style but not many people seem to get it right. Some like Armani and Ralph Lauren do a version of English style, but they overdo it, others make it like a nostalgia trip which isn't right either. Davies gets it just right. His style is understated but that is actually quite a tricky thing to bring off - how do you do it without making it boring?"

"I buy most things I need here - things like jackets and trousers and shirts, but

then I buy shirts whenever I see them. I have a large turnover. Before I go on holiday I always come here - I pick up simple polo shirts and shorts and T-shirts and polo shirts - loads of things. I've bought tweed jackets in the past and shirts and I like the big, sturdy weekend shoes that they do."

"I've bought suits here - like this flannel one I'm wearing which is great for summer - I suppose I have about seven suits in all. I've got an Armani, a Hilson, and a black one by Jasper Conran that I bought in Les Deux Zébrés. I also buy from Margaret Howell - she has the same attitude to clothes, shows the same fine sense of balance between classic and English and not showing off and yet not being boring."

"When I was young and first had money I went to Savile Row for my suits but not any more. Off-the-peg has become so much better - in the old days off-the-peg was for poor people so they didn't try as hard. Now almost everybody buys it and they sell enough of it to carry a wide range of sizes."

"I buy clothes whenever I need something or see something I like. When I'm in New York I pick up Saks Fifth Avenue own label boxer shorts because British companies never do them as well although I do like - and own - some Speedy when I'm in New York."

"I don't think of Davies first for ties - I usually get them at Faccanone in Paris or in the South of France when I'm there on holiday. Although I don't buy everything here this shop more than any other epitomises my taste and even when I buy elsewhere I'm looking for the kind of taste that I find here."

"I hardly ever buy anything without feeling guilty but if I wear it a lot then I feel I've got good value for my money. The idea that simply because something costs a lot it is bad value is wrong. I suppose the things here do cost more than things at Marks & Spencer but the good thing about it is that it has got its feet on the ground. For a man if you buy clothes there are two risks - you can either look pretentious and trying too hard or you can look bloody boring. Neither of those two things are likely to happen here."

Motoring

Where the gas is greener

Stuart Marshall finds that drivers are not getting the diesel message

AS A CYNIC in the motor industry once said, never underestimate the depth of public ignorance of anything remotely technical.

Unleaded petrol has been at filling stations, and its use officially encouraged, for at least three years. Catalytic converters are fitted to 15 per cent of cars sold in Britain and all new cars will have to have them by the end of next year.

For years we have been subject to a massive information campaign promoting the benefits of unleaded petrol and catalytic converters by governments, environmentalists and commercial interests alike.

And yet, if a recent survey of 615 company car drivers is anything to go by, only a small minority of us really knows what it is all about.

For example, 70 per cent of the company motorists thought unleaded petrol was brought in to protect the environment. (The real reason was that it was believed to harm the mental development of children living in towns. Unleaded petrol must be used in cars with catalytic converters, but that is a separate and, for Europe, far more recent issue). The great majority (86 per cent) of the cars covered by the survey could - and all but a handful did - run on unleaded petrol. I find it hard to believe, but eight in ten of the drivers were willing to do without electric windows and a stereo on their

next company car if money had to be saved to pay for the catalyst.

But they declined by two to one to consider a diesel, citing smell/dirt/pollution (48 per cent) as the main reason followed by noise (31 per cent) and performance (19 per cent). Clearly, they had no idea that a diesel car is environmentally cleaner than a petrol car - even one with a catalyst.

The survey was conducted for BRS Automotive, a car leasing company. One of the lessons its general manager, Paul Bates, draws is that the diesel car manufacturers should do more to educate the market on their environmental benefits. (To be fair, Citroën and Peugeot already are).

Only 19 per cent of company car drivers rejected the idea of a diesel next time because they thought it would lack performance. From this Bates concludes there has been too much advertising emphasis on the speed and acceleration of diesel cars, not enough on their lower pollution.

He pointed to sales having risen from under one per cent of total registrations ten years ago to nearly eight per cent last year. As the UK car population had reached 20m last year, he thought the need to reduce harmful gas emissions was paramount. As 60 per cent of all new cars went to the business sector and eight in ten of their users were willing to have catalysts, he felt they

must be concerned for the environment. So manufacturers ought to concentrate on promoting the diesel car's environmental benefits.

Have you noticed how smelly some catalyst equipped cars can be?

Several readers have. It is an unpleasant pong like the concentrated aroma of boiled cabbage. The cause is the sulphur in petrol being converted into hydrogen sulphide.

I have often caught a whiff of it when parking a test car, most of which now have catalytic converters. One reader wrote of being "choked by fumes" when driving behind catalyst equipped cars and wondered if the smell was harmful as well as disagreeable.

Not according to Johnson Matthey's catalytic systems division. The "stink bomb" aroma, it said, is unpleasant

but harmless. Our noses are sensitive to hydrogen sulphide. Matthey's advice is that if your catalyst offends, try other brands of petrol. Smell will make it less smelly than others. The fact that it does smell at least indicates that the catalyst is operating, converting carbon monoxide and other nasties in the exhaust gases into less harmful substances.

Plus, of course, a trace of unwanted hydrogen sulphide. If that is cold comfort, Matthey says the smell diminishes as a converter "beds down" in use. Eventually, improved converter technology, better electronic engine management systems and possibly the introduction of sulphur-free petrol - which Japan already has - will get rid of it altogether.

Meanwhile, one can use an in-car deodoriser, keep the windows shut and switch the ventilation system from fresh air to recirculation when you get stuck behind a stinker.

reconciled with a restatement of the historical superiority of socialism? An editorial on November 3 1987, did the trick. "The Russian Revolution 70 years ago opened up a radically new phase in the history of humanity. We could say it marked the end of pre-history. The first step had been taken to bringing the blinding blind forces of economic and social development under human control. Perestroika takes that further, building on the enormous achievements made possible under Socialism..."

The experience of eastern Europe made it necessary to reassess the scientific Marxist idea of the revolution which alone could ensure that the working class knew where it should go. Scientific socialism, of course, rewards its believers with a deep understanding of the realities of social change.

Thus it was that one Star veteran, Joe Berry, was able to run a four-part series on the achievements and steadfastness of the German Democratic Republic just before the wall collapsed in 1989. The GDR had always been the showpiece of "actually existing socialism."

Even when the realities of this bankrupt slum were revealed, the Star returned to a defence of the maligned wall. In January last year Tony Chater, the editor wrote: "Without protection from outside interference which was rampant until 1961, the GDR could not have built up the developed Socialist economy and consequent high living standards that it did."

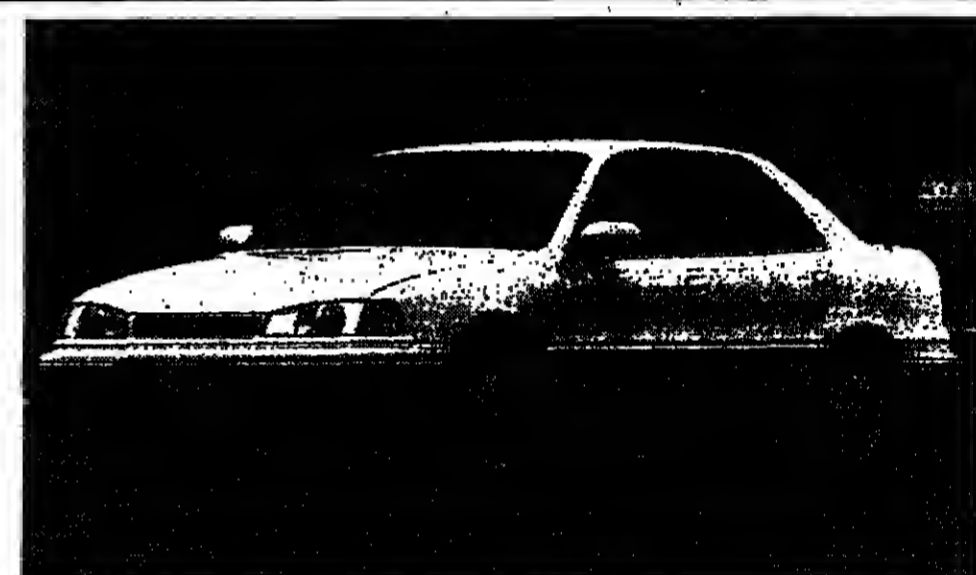
While the non-crisis of socialism was deepening the Star did from time to time allow it to displace South Africa from its foreign headlines. But there was one country which never appeared - Romania. Even though the hardliners among British communists could treat the likes of Honecker, Husak and Zhivkov with great respect, Ceausescu was a little hard to swallow. But, in October 1988 the dread name appeared in a headline - the Romanian dictator had admitted to differences with Moscow. The story underneath pro-

Hyundai hits a high

CAN ANY other car maker have come so far in so short a time as Hyundai?

This Korean company's first offerings in the late 1980s were dreary but cheap Morris Minors and Ford Corsas, look-alikes. Then it shifted into higher gear (and front wheel drive) with models bearing a passing resemblance to Mazda 323s or Ford Escorts. They were far cheaper than their competitors, as were the Vauxhall Carlton sized Sonata and the new little Scoupe family coupe that followed.

Now comes the Lantira (pictured right) which I rate easily the best Hyundai so far. Sized midway between, say, a Vauxhall Astra (Opel Kadett) and Vauxhall Cavalier (Opel Vectra), it has a 24-valve, twin cam 1.6 litre engine developing 112 horsepower with multi-point fuel injection. An exhaust catalyst is standard. Power assisted



steering with a tilt-adjustable column, central locking and electric windows front and rear are all included in a list price of £9,999 for the GLSi with 5-speed manual gears. The Cdi version at £11,498 has air conditioning, alloy wheels and walnut veneer trim and there are 4-speed automatics at £10,794 (GLSi) and £12,294 (Cdi). The Lantira manual GLSi

I have been driving this week is a thoroughly competent car, riding as comfortably on its low profile Michelin MXV2 tyres as many class rivals costing far more. The overall gearing is quite low so the multi-valve engine spins freely when accelerating and the tachometer shows 4,000 rpm at the tolerated 80 mph (128 km/h) motorway cruising rate.

It is quiet, handles neatly, parks easily and not a squeak nor rattle can be heard on bad roads.

An unusual safety feature for Europe, though obligatory in the US, is an interlock between clutch and starter. Unless you press the pedal right down, nothing happens when you turn the ignition.

S.M.

As they say in Europe

Star which casts a red glow

James Morgan on history as seen by Britain's communist daily

IN RESPONSE to no particular demand at all I thought this week that I would write about a British newspaper that is so widely read in Britain that, perhaps, the *Frankfurter Rundschau* from which I quote so often. My choice was inspired by the fact that I am spending this week in the Soviet Union, and who better to tell me about the Soviet Union than its greatest fan, the *Morning Star*.

The *Morning Star* was once the voice of the Communist Party of Great Britain. The paper joined a rebellion of the more robust Marxists in the party and is now the voice of the newly-formed Communist Party of Britain, which is thoroughly Leninist. As may be expected it has had, in recent years, a spot of trouble dealing with the course of *glasnost* and *perestroika* in the Soviet Union.

The first real test of the Gorbachev age came with the Chernobyl catastrophe in 1986. It did not take the *Morning Star* long to decide the villain of the piece. It was the British government. As soon as London learnt what had happened it pulled a British student delegation out of Kiev, the nearest large city to Chernobyl. This, to the *MS*, was provocation.

A few days later the paper produced a story about a British workers' delegation also returning from Kiev, where it had joined the May Day celebrations a few days after the disaster. The accompanying picture showed the triumphant returnees led by a woman clutching a bottle of Kiev water. That somehow demonstrated its purity - after all the woman was still alive.

Perestroika marched on. The job of running the *Star* came to resemble that of editing the *Flat Earth Society Weekly News* while covering a round-the-world trip by the society's president. It was emerging that not all was well in the Soviet Union and that the Brezhnev period, far from being the years of "steady growth, no inflation and full employment" that they had apparently been, had been disastrous. How could the evidence of failure be

reconciled with a restatement of the historical superiority of socialism? An editorial on November 3 1987, did the trick. "The Russian Revolution 70 years ago opened up a radically new phase in the history of humanity. We could say it marked the end of pre-history. The first step had been taken to bringing the blinding blind forces of economic and social development under human control. Perestroika takes that further, building on the enormous achievements made possible under Socialism..."

The experience of eastern Europe made it necessary to reassess the scientific Marxist idea of the revolution which alone could ensure that the working class knew where it should go. Scientific socialism, of course, rewards its believers with a deep understanding of the realities of social change.

Thus it was that one Star veteran, Joe Berry, was able to run a four-part series on the achievements and steadfastness of the German Democratic Republic just before the wall collapsed in 1989. The GDR had always been the showpiece of "actually existing socialism."

duced one of the truly memorable sentences of British journalism of the last decade. Kate Clark, the *Star's* Moscow correspondent, wrote: "Romania's economy is considered the least successful among European Socialist nations."

The interpretation of the events of late 1989 made it apparent they were not taking place in "successful socialist nations," but in countries to which the *Star* had no commitment. The editor wrote: "A particular distortion of socialism is being ditched. The obsolete bureaucratic-command structure is being dismantled and not before time." Who could ever have supported such a system?

Not the *Morning Star*. The friend of the Berlin wall, Joe Berry, has returned to the fray in the last couple of weeks with an account of the "British road to Socialism." It avoids mentioning the other roads to socialism but argues that the British working class can, with luck, achieve the goal without violence.

"Imagine Britain being run with the sole purpose of providing all its people with a constantly improving quality of life. Imagine full employment with shorter hours and decent wages, good housing and public transport at low cost, first class health care and education free to all, excellent pensions and social services," Berry wrote.

There is an easy way to achieve this, according to Berry. "Boosting the economy by the all-round raising of wages and pensions and transferring the burden of taxation to the rich." That would be helped by huge increases in spending on social needs and on a "massive investment drive." Problems arising out of this policy would apparently be solved by import controls and stopping the export of capital while cutting defence spending.

But there is one question I have been wondering about. Does the *Star* believe that imperialist governments should use the taxes paid by their exploited masses to rescue the economy of the first society to place the blind forces of economics under human control?

James Morgan is Economics Correspondent of the BBC World Service.



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HOW TO SPEND IT

...and boxer shorts in New York. Lucia van der Post investigates
...where to find the answers

Barry Delaney at Davies, in American cotton trousers, £57, polo shirt, £38.95, Tan Derby shoes, £87 and cotton cardigan, £205.

JAMES TALBOT is an interior designer and antique dealer who spends much of his time travelling, though he is mainly based between France and Switzerland.

Like most of us, he tends to buy something whenever he sees a garment that appeals to him but he makes a point of looking into Amansett at 201 King's Road, London SW3 when he is in London. Amansett, named after a small fishing village on Long Island, specialises in playclothes. Here are cotton chinos in two different weights and 12 different colours at £45.50 a time, scrumptious cotton sweaters, cotton shirts in masses of colours, shoes to clamber over pebbled beaches, shoes for yachts, shoes for rambling, workout clothes for... working out. The shop is small, carefully edited and presents a unified, homogenous taste. There is coffee always ready, sofas to sit on and interested assistants who will help put a look together. You will either find it is your style or it is not but if it is you will probably, like James, come back and back.

James stopped in because the name rang such a bell. "A few years ago I was staying with friends who had a house at Amansett and one of the party got into trouble in the sea. I dived in and rescued him and so Amansett has always had a special meaning for me. When I saw the name in the King's Road I had to go in and have a look."

"Because I spend quite a lot of time in hot climates I need a hot-weather ward-



James Talbot wearing a forest green wool jacket that he bought in France, and everything else from Amansett ("my generation likes to mix things up"). Sage green light wool trousers are £75.50, white cotton shirt with double-cuffs, £37.50, French silk tie, £27.50 and brogues by Crockett & Jones, £110.

robe and a lot of that comes from here. I must have at least 40 shirts, many of them from Amansett. Old habits die hard and I like wearing a double cuff which not everybody does. I buy lots of those silk knotted cuff-links at £5.50 a time from here. Then I must have at least a dozen pairs of light trousers of which six would

have come from here and at least three pairs of shoes from here. "They don't do suits here - I have my suits made by Welsh & Jewell & John Wells in Eton High Street. But I like coming here. It's got a good atmosphere and the New England clappedboard style calms me down."

Talkers, thinkers and drinkers

Kieran Cooke ponders the many delights of Irish summer schools

RAIN IN sparkling good form? Liver in fine fettle? Then you might, just might, qualify for the Irish summer school season.

In the US and other strange places, summer schools are associated with bustling cramming "lectures", designed for recalcitrant - or just plain lazy - students. The Irish are blessedly far more enlightened. You go to summer schools in Ireland to talk to listen - and to drink. They are opportunities for what one visitor described as "a few lectures in between pints."

They are, of course, very serious occasions, where knowledge is imparted and accumulated, where one's mind is constantly asked to expand its horizons and peer at new intellectual vistas. Where one has to talk, dance and sing till dawn.

It is possible to spend the entire summer doing nothing but attending various schools. Those hankering after a bit of discussion on George Bernard Shaw have already missed the

boat. The GBS summer school, like the school of John Millington Synge - the late 19th century playwright best known for *The Playboy of the Western World* - have already come and gone.

But don't worry. The Gerard Manley Hopkins, the Jonathan Swift, the James Joyce, the

lin-born creator of the Dracula legends.

One of the benefits of attendance at most of these highly worthy events is that the organisers have been sensible enough to hold many of them in some of Ireland's more attractive villages and towns. When the cat and thrust of

SUMMER SCHOOLS IN IRELAND

July 4-7 G Manley Hopkins Sch, Monasterfevin, Co Kildare
July 6-14 General Humbert Summer School, Kilacla, Co Mayo
July 8-13 Jonathan Swift Seminar, Celbridge, Co Kildare
July 4-25 James Joyce Summer School, Dublin
July 22-27 Sean O'Casey Summer School, Dublin
July 28-29 Bram Stoker Summer School, Dublin
Aug 10-24 Yeats Summer School, Co Sligo
Aug 11-17 Magill Summer School, Glenties, Co Donegal
Aug 18-25 Parnell Summer School, Co Wicklow
Aug 18-25 Merriman Summer School, Lisdoonvarna, Co Clare

Sean O'Casey and of course the W.B. Yeats summer schools are yet to be held. In fact there are almost more summer schools than Irish writers. There is a summer school to discuss the works of Patrick Magill, the poet and writer. There is even one for Bram Stoker, the Dub-

lin-born creator of the Dracula legends. One of the benefits of attendance at most of these highly worthy events is that the organisers have been sensible enough to hold many of them in some of Ireland's more attractive villages and towns. When the cat and thrust of

intellectual conversation becomes a little too much there are plenty of other things to do. Some philistines even attend summer schools but never the lectures. They still emerge finer, if more sozzled, individuals. If you find the prospect of days and nights discussing one writer or poet a little daunting and hanker after something broader, then how about the school investigating the life and times of Charles Stewart Parnell? Or the General Humbert school, held in the wilds of County Mayo in western

Ireland?

General Humbert arrived in Ireland with his troops from France at the end of the 18th century to liberate the country from British rule. He won battles but then wandered the country vainly trying to organise a rebellion. Humbert was defeated and shipped back to France. His summer school tends to discuss wide ranging issues of foreign policy, Europe, the future of the world - that sort of thing.

Ending the season, brain bottle from so much thinking, comes the Merriman summer school, held in County Clare. Merriman was an 18th century farmer and mathematician whose one claim to literary fame is a Rebel-style romp called "Midnight Court". The play has the fairies taking Irish men to task for not doing more marrying.

The Merriman school is both a deeply serious occasion and a week long romp. Professors, musicians and politicians share the stage. This year the theme is "Visions and Revisions, 1790-1890". For the stout of mind and body only.

Information on Irish summer schools can be obtained from the Irish Tourist Board, 2000, in Dublin 18. Costs vary, depending on full, part time or non-attendance.



Bags of fun

THIS summer's handbags have little to do with conventional repositories for purses and hankies, letters and lipstick. Even at the most classic houses - Hermes, Chanel - they are camping it up. Colours are jewel-bright, motifs jokey. Miniaturisation is all the rage.

At Chanel there is the tiny quilted Chanel bag at £60 and there are sequenced bags to match the sequenced jackets. At Hermes miniaturisation has reached the bags - wee versions of the Kelly bag, in silk or crocodile - if not the prices (£1,490 in a classic Hermes silk and £1,740 in lizard). At Gucci they have livened up the purses with gilt hand-shaped clasps and a mini version of the famous

bamboo bag in bright fuschia satin (£285) is the evening bag of the season. At Louis Vuitton the tiny pochette cointure and the Saint-Cloud offer Vuitton style in mini sizes.

These are handbags that glitter and shout and long to be noticed. In other words, they are handbags for extroverts. Time was when suitable handbaggy colours were deemed to be black, brown, beige and grey - nice and easy to match up with your shoes. These days almost anything goes: sugar pink, canary yellow, rhinestones, glitter, either separately or all together. These then, you will have gathered, are not handbags for repose on the regal hand.

Sketches here are just three of this summer's most noticeable numbers: 1. Issey Miyake's Torsio bag could be said to be a totem of our age - black, slouchy, witty, it could happily do double-duty as a work of art. It is capacious enough for any number of cheque-books, purses, handkerchiefs et al. In glossy black leather, it costs £245 (£4 p+p) from Issey Miyake, 270 Rrompton Road, London SW2. 2. Brilliant orange quilted square box with gilt tasselled chain, £345 from Chanel, 26, Old Bond Street, London W1. Also in fuchsia, beige or black. 3. A black grosgrain bag relieved of the danger of being in good taste by its Ban The Bomb motif in huge fake pearls. £240.99 (£3 p+p) from Harvey Nichols, 169/175, Knightsbridge, London SW1.

L.v.d.P

SOMETHING TO DO BETWEEN WIMBLEDON AND HENLEY.

The 27th of June is a date for devotees of The Season to note.

For it heralds the start of The Summer Sale at Swaine and Adeney. And like all great classics, it's an event not to be missed.

There are reductions of up to 50% on selected attaché cases and leather goods, and if you have ever dreamed of owning one of our refined lid-over body attaché cases, we're offering the incentive of a wallet, worth £75, gratis.

Similarly, those wishing to purchase a Brigg silk umbrella should act now, as we will be giving away a collapsible model as a companion-piece.

In our ladies and gentlemen's clothing departments there are substantial reductions. Thorndale waxed cotton jackets are under half the usual price. For example, The Rambler is reduced from £78 to £30.

We have some beautiful handmade English silk ties reduced from £55 to £10.99.

And cotton polo shirts are down to just £9.99.

An American customer of ours once observed "when the going gets tough, the tough go shopping". We can think of no better place to start.

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A guide to history's highway

O'LI' MAN RIVER shapes Egypt, even if today the Nile's reduced flow threatens to turn it saline. Since time immemorial Egyptians have drunk the Nile, washed in it, watered their fields with it and made it their highway.

Only the Nile and the mud it washed down every year could make the desert bloom and produce the rich crops that supported the theocracy, bureaucracy, mighty monuments and exquisite art of old Egypt. The great river and its life and monuments are the focus of an FT archaeological tour I shall lead in late November, which will include four nights in Cairo, a Nile cruise and visits to some fascinating sites of antiquity.

With luck we shall see at Luxor in the south an astonishing find that shows that Egypt's treasures are far from exhausted. Representatives of the Antiquities Organisation were digging a pit to check the salinity at the Luxor Temple

beside the river when they stumbled upon a hidden archaeological hoard. Under a courtyard built around 1400 BC by Amenhotep III they found 22 statues, which they suspect were ceremonially buried when the temple converted to the cult of the Roman emperors.

The archaeologists were surprised to find a gift image of Amenhotep III which is given by inscription the last of the king to the Aten, the sun disk which was to be the focus of the religious reformation of his son Amenhotep IV, better known as Akhenaten, husband of Nefertiti. It suggests that father was involved as well.

As pharaoh, Akhenaten moved the capital from Memphis near Cairo to a site at el Amarna in middle Egypt, where he ordered a new city to be built on a plain surrounded by cliffs. These proved ideal for cutting tombs, which have been highly decorated.

Amarna, which is still being dug, gives a fascinating view of a Pharaonic city, from palaces

and temples to workmen's quarters. Akhenaten probably lived in a walled palace on the river in the North City and drove by chariot through the tomb paintings in the Central City and the Great Aten Temple.

The houses, graded by the owner's importance, demonstrate the class structure of a society in which palace and temple rivalled all of life.

The palaces and temples (many built for the afterlife of the dead pharaoh - Queen Nefertiti's at Deir el Bahri is the most spectacular) controlled armies of workmen by a bureaucracy that documented every stage of production. This policy continued into Greco-Roman times, as we shall see at the temples of Esna, Edfu and Kom Ombo.

With such royal/divine monuments every fellow, bureaucrat and craftsman knew who was master in the pharaohs' Egypt. Yet the real master was the Nile, without whom none of this could have happened.

The FT tour departs London Heathrow on November 24 and returns on December 9. After four nights in Cairo at the Marriott Hotel we will board the Nile Rhapsody (26 cabins) for ten nights to sail to Aswan visiting sites along the way.

The price per person of £1,591 (sole occupancy of a double cabin/room £550) includes air travel by British Airways half board at the Marriott, all transfers and excursions, including an air trip to the site of Abu Simbel, and the services of the FT and of Serenissima Travel (ASTA no. 54685) which will manage the tour.

To book, send a deposit of £150 per person (payable to Serenissima Travel Ltd) to: Nile Tour, c/o Nigel Pullman, Financial Times, Number One Southwark Bridge, London SE1 8HL. Applications will not be opened before July 10. We shall send a detailed itinerary with our acknowledgement.

Gerald Cadogan



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MINDING YOUR OWN BUSINESS

Start up strives for full speed

Nick Garnett visits a one-year-old coach company with bookings but little cash



In need of a lift: David Hudson (left) and his partner at Caring Coaches, Jeff Warwick

THE ECONOMIC Highland of Bolsover and towns like it is ebbing.

"I think all the mines around here will be closed within five years," says David Hudson. "It will go back to its roots as a kind of agricultural town with a bit of light industry."

Whether that is right or not, a lot of men and women in and around the north Derbyshire town are now having to earn their living outside what was once cheerily-known as King Coal.

A former mining engineer in charge of a £1m yearly equipment budget, Hudson took the gutsy decision last year to fend for himself by setting up a business in a market he knew nothing about. With the rather meagre ration of £30,000 redundancy pay after long service in the coal industry, Hudson is joint owner of a coach company specialising in day trips and holidays for the elderly and disabled.

Caring Coaches, which was set up a year ago, shows what can be done from a standing start. It also underlines the vulnerability of fledgling businesses to unexpected costs, under-capitalisation, and the ill-health of the families who run them.

After quitting British Coal in

1989, Hudson, aged 46, spent a month trying to decide if there was a need for a coach service catering for the elderly and infirm. He did this by visiting social service departments and local homes for the elderly.

Hudson and his partner, Jeff Warwick, another former coal industry employee, each chipped in £15,000 redundancy money to the company's kitty. They bought an AEC single-decker 50-seater for £9,000 from a local coach company and spent a further £8,000 installing a hydraulic lift that could raise people and wheelchairs to the coach's seating level.

Hudson and Warwick passed the passenger vehicle licence test though that left the matter of an operator's licence. As a member of several professional bodies, Hudson was off to a flying start.

"But you have to show you have a base for the business, vehicle maintenance arrangements and finance. The Ministry of Transport will not just accept your word. We had to have a letter from the bank manager saying we were fit people and with money in the bank."

A managed workshop agency in the shadow of a coalmine's winding gear provided an office and parking area for £110 a week. The operator's licence

cost £450 with another £1,100 for one year's insurance on the AEC.

Unfortunately, a complex piece of engineering like a coach, especially if it's ten years old, can be a breeding ground for gremlins. "The engine had just been overhauled when we bought it but after two weeks we found that water was getting into the combustion chambers." The motor was stripped down by a garage, making a mess of the job, which then had to be redone by another set of mechanics. Work on this, brakes and gearbox, cost £10,000. "It cost us twice as much to buy it but the tag of a new car would be about £30,000 even without the lift."

Setting up the business when no money was coming in but a lot going out took five months. Eventually, in February last year, Caring Coaches made its first paying trip taking some school children to a bowling alley. The business started off with just ten per cent of bookings from the elderly and disabled, the rest from younger, fitter groups who wanted a day out in the open or Alton Towers. Now, though, the original idea has borne fruit and nine-tenths of its business comes from trans-

porting the aged and infirm.

The company has full bookings until December and has spent little on advertising. "The catchment area for Yellow Pages is all wrong and an advert would cost £1,000," says Hudson. A few articles in local newspapers, the distribution of 100 or so printed cards and word of mouth has done the trick. "When we stop and get the lift out, people come to talk to us out of curiosity."

Getting business is one thing. Getting economic business is something else. In its first year, Caring Coaches generated £36,000 turnover and an operating loss of £1,900 and paid out nothing to its two owners. Hudson says the company hopes to reach £50,000 in its second year, partly as a result of splashing out £17,000 for a second coach, a Leyland Tiger, at the end of last year. The two owners expect to extract just £5,000 each this year. "We have been living off the redundancy payouts but that has largely gone now. We can just about live on £5,000."

The company has been creating turnover at the rate of £1 per mile driven. Shorter trips have proved more economic, though the company offers an eight day all-inclusive holiday to Torquay for £345 a head. Hiring the coach for a day will

cost a group a little over £200.

"Apart from the lift, we have to offer something different from other companies and that is a relatively low price." Margins are tight with the company averaging less than ten miles per gallon. The company employs one full-time worker as an attendant and is paid just £50 a week.

Caring Coaches remains vulnerable. "There is no money left in the bank," says Hudson. After one year's free banking, the company's local bank branch is charging it 6p for each cheque it handles which has upset Hudson. Best on the premises is expected to rise soon and Hudson was obliged to receive a tax demand for £2,000 for last year when he took no income and the company made no profit.

Running an office as well as sharing the driving has proved awkward within £20-a-week working hours. A difficulty compounded by regular visits to the hospital where Hudson's wife is very ill.

So far, these pressures have been more than offset by the enjoyment of running his own business and providing a service to people who need it.

■ *Caring Coaches, Bolsover Enterprise Park, Station Rd, Bolsover, Derbyshire. 0246-866326.*

THE computer innocent who is buying hardware or software for the first time faces a bewildering choice. How should you set about buying equipment for your small business? Let us assume you want a general purpose system to do word processing, spreadsheet and some accounting.

You must start with the hardware. First, read a Personal Computer magazine or two to get a feel for the jargon. But buy from local dealers, not by mail order. You will need their expertise.

Buy a PC with at least 20 megabytes of hard disk. Floppy is a false economy. If you can afford it, get an AT (that is a 286, or middle-range, processor chip) with a 40-megabyte disk. There are numerous models of PC, all basically the same. Buy something that looks solid and reliable. You want a machine that runs for ever and never breaks down.

A cheap dot matrix printer can print on continuous paper in either draft mode (which will do for spreadsheet and accounts), and on single sheet letterhead in quality mode (which is good enough for word processing and invoices).

Once a printer is set up, you do not want to change it. I have seen grown men weep because they have changed over the paper from continuous to single sheet and the computer started to print two thirds of the way down the page. To avoid this sort of thing an essential feature is "paper parking", which allows the printer to have both types of paper loaded at once.

A few cheap printers have this facility. One is the Star LC24-200. In spite of an over-clever control panel which means you will have to refer to the manual constantly in the early days, this is a fine bargain.

With software the ideal thing for the beginner is to have someone at the next desk who knows the software package. But let us assume you will be working in the evenings on your own, with no help

available. In this case you are reliant on the manuals. Most software packages come with a reference manual, or "User Guide". This explains all the functions of the package. Unfortunately, information you need immediately is mixed up with information that you will need later. In practice, reference manuals are only useful to experienced users who know what they are looking for.

The beginner needs a tutorial. A tutorial takes you through a series of worked examples. It leads by the nose - telling you which buttons to press, and when. A well-written tutorial will first take you through the basics such as how to set up a file, edit it, print it, save it to disk. Then it will go on to more complex topics.

Packages for the novice should be simple in function, but detailed in explanation. There seem to be few available. PC Productions, of Stroud (0453-763200) supply a set of cheap tutorial starter-packs for the novice user. The word processing package (70,000 claimed users) costs £29.95 and the spreadsheet £29.95.

These packages do not offer all the bells and whistles but are perfectly adequate for most people. The tutorial manuals are attractively produced in hardback. On occasions, I felt that they attempted to explain too much. But it is difficult to get this exactly right, and on the whole these tutorials make an honest attempt to deal with the needs of the novice. They are cheap and can be recommended.

One suggestion: the tutorials give separate instructions at the beginning depend-

ent on whether you are using a single floppy, twin floppy or hard disk machine. In order to avoid confusion, first find and cross out those sections which do NOT refer to your type of disk.

Finally, PC Productions is also the source of Peter Harrison's much praised *PC Crash Course* and *Survival Guide* which attempts to "teach you the least you must know" when it comes to using DOS commands and IBM-compatible PCs.

Alternatively, you can try a cheap commercial package. I would recommend PFS: First Choice (RRP £159), which combines word processing, spreadsheet, database and graphics. First Choice is an excellent integrated package which is not too complex for beginners. It was originally designed by Software Publishing Corpora-

tion and is now marketed by Spinnaker.

SFC manuals are the best in the industry and I found the First Choice tutorial absolutely clear and unambiguous. Unfortunately, it only gives you a "quick tour" of the package, illustrating the principal features. The remainder of the User Guide is a reference manual. So you may need to purchase one of the self-teach books from specialist US publishers.

There is *Understanding PFS: First Choice*, by Gerry Lytton, published by Sybex (sold in the UK by Pitman, 017-379-7383); *Using PFS: First Choice*, by Katherine Murray, published by Que Computer Books (021-706-1250); and *Using PFS: First Choice* by Gail Todd, published by Osborne McGraw Hill (0688-23432).

Remember that customers of PFS products are given free technical support in perpetuity, so establish contact with the help desk at Spinnaker (0694-632633) from day one.

Finally, make sure the dealer sets up the whole system at your office, and prove it works by printing out some text on the printer. Only then part with your money.

Computing/David Carter

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IN THE MATTER OF RETACONS Plt - and - IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 26th May 1991 presented to His Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above named company by £1,501,000

AND NOTICE is further given that the said Petition is directed to be heard before the Honourable Mr Justice Maynard Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 18th day of July 1991

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear in the time of hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned solicitors on payment of the Regulated Charge for the same.

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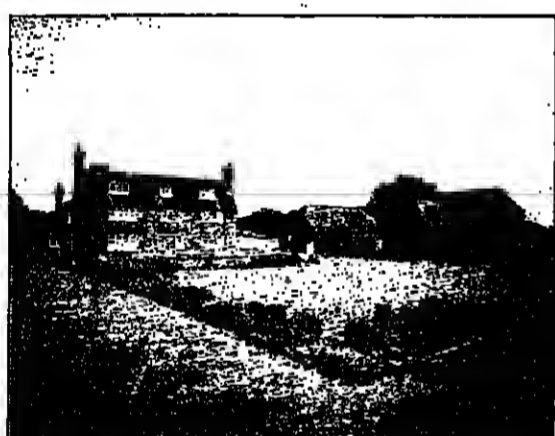
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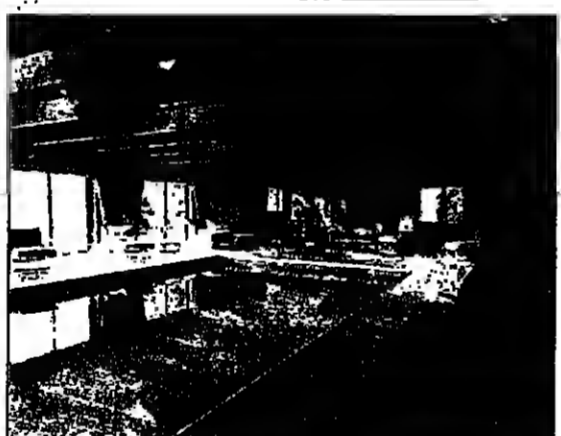
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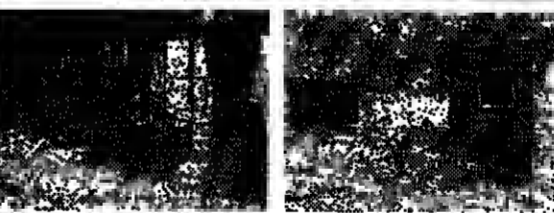
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FOOD & DRINK

If this is Cork it must be sushi



Kei and Werner Pilz: Putting Japanese food on the map in Ireland's wild west

THE PRIZE is all the raw fish you can slide down your throat and all the saki your liver can stand.

Question. In which country is the Shiro Restaurant? A. cine. It is in a village called Ahakista.

Simple? No problem at all? It must be Japan. Bring on the multiple plates of sashimi. Put the steaming bottles on the table. If only all life's questions were as easy.

Wrong, my friend. A cruel trick. You had better order the stew and brown ale instead.

The Shiro, at Ahakista, is on a wild peninsula in the wildest reaches of south west Cork. In Ireland. The sort of place you only find if you are well and truly lost. The rain is lashing at the screen. There is no life in sight. The sea down below is whipping itself up into a frenzy. A piece of the Empire state building, freshly blown in across the Atlantic, has just gone by.

At the bottom of a dimly-lit driveway, there is a sign. "Shiro Japanese dinner

house. Reservations only." It is like coming across a Raur brothers restaurant in a Pyonyang backstreet.

Things become more surreal as the evening progresses. Werner Pilz, a 72-year-old Berliner, greets you at the door, dressed in a Japanese apron. The table is immaculately appointed, Japanese fashion. The sort of place where the presentation is so perfect you do not know whether to eat the food or pin it on the wall. The room is your own.

The courses come and go. Zensai - a collection of appetisers. Moriwase, an egg and sushi dish. Suimono, a Japanese seasonal soup. Then, half bloated, it is on to tempura and a dish of sashimi that is outstandingly, mouthwateringly, fresh.

Time to unravel some of the mystery of it all. Werner, a former Luftwaffe pilot and textiles engineer, met his Japanese wife, Kei, in Berlin in the 1960s. Werner was retiring and looked at various hideaways, ranging from Alaska to Australia. He chose Ireland and asked Kei and two sons to join him.

"At first I thought there was only fighting in Ireland," says Kei. "Then there seemed to be only bacon, cabbage and potatoes to eat." There were other problems. One son had to go to the local school armed with only one sentence in English. "This is a dog".

But Kei stayed and now would not contemplate living anywhere else. The son has moved on from his canine English and is studying at Oxford.

The cost of living in Ireland, plus a desire to do something adventurous, persuaded the Pilz's to open a restaurant. Nine years ago they served their first *Masu-Yaki* "gently grilled wild sea trout, being a speciality of Sapporo, served in boiled ginger, with lemon and fresh vegetables". The Shiro has been booked out ever since.

Pictures of a former Irish prime minister, cabinet members and film stars crowd the walls. Shiro is small: at the most nine people can be accommodated. As a result, reservations are often made months in advance.

Kei does all the cooking, Werner buys

the goods, runs the house and waits on table. "Never before in my life had I worn an apron," says Werner. Yet Kei says that in all his years of serving, he has only once dropped a dish.

Kei finds that Ireland has changed considerably in the years she has lived in the country. A wider selection of foodstuffs is at last beginning to penetrate to country areas. While some ingredients still have to be imported from London or Tokyo, most are now available within Ireland.

People have become less conservative about what they eat. The Irish have never been great fish eaters. Now some are downing the raw variety with scarcely a second look. But not all. The Shiro visitors book is a paean to the culinary delights on offer. However, one customer obviously found things a little too much. "I did not enjoy your food, but it was an experience."

Shiro Japanese restaurant, Ahakista, County Cork, Ireland. Tel: 027-67030.

Kieran Cooke

Food that fights the squeeze

Why do some restaurants beat recession and others fail? Nicholas Lander on four survivors

A STRANGE alliance of English towns - Bury, Lancashire; Godalming, Surrey; Langport and Taunton in Somerset has produced a collection of men, and one woman, who own and manage London's most popular restaurants.

Jeremy King and Chris Corbin at Le Caprice, W1, Simon Hopkinson at Bibendum SW3, Nick Smallwood and his partners at Kensington Church Street, Sally Clarke at Clarke's, have not only built up successful businesses during the 1990s but

Le Caprice

have also survived the past six months. There is no doubt that the first half of 1991 has been cruel to many London restaurants. January, February and March, never a good quarter, were worse than ever because of bad weather and the Gulf crisis.

The recession affected both lunch and dinner trade. Companies cut their entertaining budgets and expense accounts; individuals paying with their own money in the evening, responded by eating out less frequently and moving down market.

The 2½ per cent increase in value added tax in the Budget came as margins were already being squeezed. According to *Caterer and Hotelkeeper*, the main restaurant trade magazine, one London restaurant

ran a day was closing its doors for the last time this spring.

Yet booking a table at any of the four restaurants I have mentioned has not been any easier. There have been some quiet nights but, according to Clarke, the recession lasted just three weeks, during one week in May Le Caprice reported takings higher than any time since it opened in 1981 and Kensington Place has been just as full. Bibendum, the most expensive of the four, temporarily lost a few customers but only to its oyster bar on the ground floor.

None of these restaurants is perfect. Rating out is such a subjective pleasure that you could certainly have a disappointing meal if you were unlucky. But because of their owners' hard work, experience and sensitivity these four restaurants are obviously doing a lot of things well.

All four share some characteristics: good locations to keep them busy at lunch and dinner; SW3 and W8 addresses mean the premises can act as business venue or local restaurant. Le Caprice is on the ground floor of a block of flats in Mayfair. Each restaurant is privately owned, with the partners directly benefiting from

the long hours they choose to work. None bears the often quite obvious stamp of a corporate identity. Small is beautiful, and profitable.

Not only are all the proprietors English, they also fall into a narrow age bracket, between 35 and 45. This youthfulness

THE IVY

hides, however, a wealth of experience. King started at Joe Allen's in Exeter Street, London, when he was 20. Corbin at Langan's in Mayfair. Hopkinson was an Egon Ronay inspector for two years in the late 1970s before he started cooking. Clarke has been at the stoves 11 years. Smallwood was the first general manager of the Hard Rock Cafe where in 1971, his chef Rowley Leigh worked with Albert Roux for eight years.

This vast experience may explain why the success of these restaurants lies in British, rather than French, hands. The cooking in all four is good, often excellent. It is never, however, the only reason for a visit. None is a temple of gastronomy, in

spite of the fact that Clarke is chef/proprietor and Hopkinson the public face of Bibendum. Their names are on the menu, their necks on the chopping block, their eggs well hidden.

They all acknowledge the debt they owe France but have absorbed alternative influences, often by eating around the world. Le Caprice shunts New York, Clarke's California, Kensington Place and Bibendum raise their hats to Italian produce and wine.

Their wine lists take advantage of the best from England's wine merchants and cover the globe. These, and the menus are

KENSINGTON PLACE

carefully annotated in English, the language the majority of their customers and staff speak, although Hopkinson occasionally invents his own with such dishes as *Baltic herrings à la crème*.

There are certain commercial similarities. Although out in the original plans, three of the four restaurants, Caprice, Kensington Place and Bibendum are open

seven days a week, and most bank holidays for lunch and dinner.

This spreads the high fixed costs of operating in central London and does mean that the customer never has to think twice about booking since they are always open. Nor has any of them put their faith, or money, into the hands of public relations companies to attract business.

Each restaurant, too, has another string to its bow. Kensington Place and Le Caprice have sister restaurants, Laureston Place and The Ivy respectively, and Bibendum has its oyster bar.

Clarke's has a shop next door which, on a busy Saturday, can sell £2,000 worth of bread and pastries made in its Ladbroke Grove bakery. There is some protection from the cyclical nature of the restaurant trade.

Such enterprises obviously demand good top management and long hours. King and Corbin make it a policy that neither of their restaurants is open without one of them being there. Their average working week on a fortnightly rota is 65 to 70 hours, then 75 to 80 hours. Technology has also been put to good use. As well as the ubiquitous electronic

cash registers, Caprice has its own computer programmes and a link to The Ivy via computer, modem and internal telephone.

Such dedication has over the years brought some very loyal followers.

One such customer from the US recently phoned Clarke's to make eight bookings for her two-week stay in London. These restaurants have also cultivated the same loyalty from their staff in an industry which has a reputation for high staff turnover.

Customers always like to be reassured

CLARKE'S

by familiar faces. If the boss is on holiday, and to be personally, and personally, welcomed. Such sound management structures are the norm in most industries but still sadly lacking in many restaurants.

An awareness of their own *raison d'être* has also been important. King described his restaurant as a catalyst for people to have a good time be it business, social or amorous, and his job to keep the package going.

Such an occupation does bring rewards but at a price. When at 5pm, half way through his working day, I asked Sally Clarke if the job still brought pleasure, she said: "Yes, but we've all dug our own graves."

England's wine growers play the name game

THE ENGLISH wine industry, is busy devising its own equivalent of France's *Appellation Contrôlée* scheme in time for this year's grape harvest but is having difficulty finding a suitable name.

"Quality wine" was the term initially suggested for those wines with a Brussels-approved stamp of superiority over mere "table wine", as all English wine has so far been called, but no-one likes it much. It is not only bland but the Germans have rather devalued the term "quality wine" since they apply it to all but about 10 per cent of their own crop, the most notable Qualitätswein being our old friend Liebfraumilch. Any suggestion?

The scheme is being introduced not because the wines themselves have passed

some magic threshold of quality, but because total English wine production is fast approaching the 25,000 hectolitre quantity threshold above which Brussels can ban new vine plantings if nothing but table wine is produced.

France's *Appellation Contrôlée* system has worked well for decades, effectively signposting the best wine produced with hundreds of different geographical names, the smaller the area denoted by the AC, the better in theory (and usually in practice) the wine. Thus a wine which has the appellation *Pauillac* (a village) is generally better than a *Médoc* (a sub-region) which is invariably better than an *AC Bordeaux* (the region). No-one could accuse the proposed English wine scheme of over-ambition. I searched

the Ministry of Agriculture, Fisheries and Food's consultative document in vain for reference to AC Lamberhurst, or even AC South Downs. There will be precisely two "specified regions", one being England, the other Wales. At least there should not be too much difficulty in drawing up the boundaries, but it would be nice to think that the English wine industry could eventually field some regional characteristics to justify more specific designations.

It is hard to believe for example that the wines of West Yorkshire are indistinguishable from those of Somerset. In one respect at least the English wine industry is vastly superior to the French: its wine policing system.



The testing tests and analyses involved in this new scheme will be run by the industry itself, but the regulations will be enforced by the Wine Standards Board. This independent body already boasts nine inspectors, part of whose job is supervision of the relatively minute English wine industry. To rival this level of control, a litre of wine produced, France's quality-named *Service de la Répression des Fraudes* would have to employ 21,700 inspectors. It employs 40.

Jancis Robinson

Buying wine en primeur

INITIALY the prospects of an *en primeur* sale of the excellent-quality, record-quantity, lower-priced 1990 clarets were clouded by the successes of four out of the five preceding vintages that had been widely bought, particularly the 1988s. However, disastrous Gironde-wide frosts in April altered the picture. This is not so much because of the sharp shortfall of the scarcely-wanted 1991 vintage, but because of possible damage to the vines, affecting both quantity and quality of the 1992s.

Three main reasons exist for buying *en primeur* clarets that, for the most part, will not be mature for many years: that they will be a profitable investment; that later they will be dearer in real-money terms; and that they may be difficult to acquire and are now in more reliable condition than if bought later. For the 1990s, there is currently little validity in the first point, doubtful validity in the second, and a fair point for the third, especially for the cheaper wines.

Nevertheless "opening offers" are now widely available here, and the table gives the comparable prices of 40 internationally known châteaux offered by a representative 10 merchants experienced in this trade. It may also help potential buyers to assess the prices of other merchants.

Most prices are ex-château, to which must be added shipping, insurance, duty (now £10.85 a dozen), VAT (currently 17½ per cent) and delivery. This may add a further 25 to 35 per cent. However, Corney & Barrow, Justerini & Brooks and The Wine Society include shipping, insurance and delivery, while Hungerford Wine claims to match any ex-château price lower than its own, subject to stock availability.

Edmund Penning-Rowse

What price the 1990 Clarets?

	Avery	Berry	Bibendum	Clarke	Corbin	Haynes	Hungerford	Justerini	Lay	Wine	Society
Pauillac											
Lafite	399	440	425	400				430	447	415	
Lafite	381	420	395	420		380	460	425	408	415	
Mouton-Rothschild	389	420	395	420			475	425	447		
Pichon-Baron	171	187	168	178	168	172	185	168	184	180	
Pichon-Lalande	192	174	170	185	174	179	189	162	182	115	
Grand-Puy-Lacoste	144	144	118	103	109	118	118	185	185	175	
Lynch-Bages	171	179	168				108	185	185	175	105
Cler-Milon	102										
St-Estèphe											
Cos d'Estournel	189	190	168	185	150	168	141	192	188	180	180
Montrose	144	155						153	158		
St-Julien											
Léoville Las-Cases	208	202	198	120	108	187	210	212	195	185	
Léoville-Barton	120	125	100	108	114	114	123	124	117	120	
Léoville-Poyferré	120						132				
Ducru-Beaucailou	208	192	168	178	168	176	195	195	189		
Grusaud-Larose	195				168					170	
Langeau-Baron	110	110				102			108	110	
Talbot	129	129	125		123						
Becheville	158					158					
Margaux & Haut-Médoc											
Ch. Margaux	399	438		420	380	372		425	435	415	
Rausan-Ségla	155										
Palmer	238	220	198	217	192	203	235	225	214	215	
d'Issan	99	101				94	108		100	105	
La Lagune	99										
Graves											
Haut-Brion	378	408	375	410	279	380		415	408	415	
La Mission Haut-Brion		330	228				335	348			
Pape-Clement			133				147				
St-Emlion											
Cheval-Blanc	393	475	385	425	390	367	475	425		425	
Ausone	540							600			
Figeac	238							189			
Canon	208		168	165			182	185	188		
Pavie	148	162	144	144	144			172	163	162	
Pomerol											
La Pin		584	550		465		425		240	235	
Vieux Ch. Certan		247	228		213		245	247			
Gazin	147		170		170			154			
Crus Bourgeois											
Chasse-Spleen		83	83		89	95	96	89	89	89	
Angludet	78	82	75	85	78	77	86	80	85	85	
Beaune						50	55		82	47	
Beaumont	45										
La Bégone-Zéde		85			81	84					
Cissac	62				57	61	67	75			

*Avery's price includes delivery. *Price in bond, Bristol. †Second tranche price

Avery, Bristol (0272-214141) Haynes, Hanson & Clark S.W.8 (071-739-7878)
Berry Bros. & Ford, S.W.1 (071-555-5033) Hungerford Wine, Hungerford (0438-582336)
Bibendum, N.W.1 (071-722-5577) Justerini & Brooks, S.W.1 (071-488-5721)
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Philip Eyres, Amersham (0494-433823) Wine Society, Stevenage (0438-741177)

Cookery

Anyone for tennis drinks?

AS A child I was intrigued by the marketing ploys of soft drinks makers. At Wimbledon I watched eagerly to see whether more winners than losers availed themselves of the omnipresent Robinson's barley water placed just within BBC camera range in the shade of the umpire's chair.

I was an avid follower of the high as portrayed in the cartoon advertisements for Rose's lime juice, where every social occasion seemed a triumph thanks to the suave presence of the butler and his faithfully borne drinks tray. Now that I am older my approach to soft drinks is more old-fashioned. Instead of branded versions it is home-made that I go for. They are the thing to help you keep your cool when the going gets hot. When I hear a tennis part-

ner's cry of "oh, bad luck", as serve after serve plops into the net, I know it is time for citrus drinks to come to the rescue.

LEMON BAKLEY WATER

A sick-bed souther as well as a summer cooler, if possible this

words fruit that has not been sprayed with a cocktail of fungicides, if "ordinary" citrus fruit is all that is available health conscious cooks will probably use the juice only; it is said that no amount of scrubbing will eradicate completely chemical treatments from the peel.

Put into a saucepan 4 oz of barley (Baker's or Pot) or pearl barley and 2 pt of water. Bring to the boil, cover and simmer gently for 30-45 minutes. Stir in 2 oz sugar and the zest of 2 lemons and leave until cold.

Strain through a muslin-lined sieve. Add the juice of two lemons, or more to taste, and serve chilled.

ALMOST INSTANT LEMONADE

Mildly fizzy and refreshingly sharp, this is the thirst-quencher I associate most with Betjmanesque summer

and the recipes which follow ought to be made with organically grown fruit or at least with "unwaxed" fruit (in other

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words fruit that has not been sprayed with a cocktail of fungicides, if "ordinary" citrus fruit is all that is available health conscious cooks will probably use the juice only; it is said that no amount of scrubbing will eradicate completely chemical treatments from the peel.

Put into a saucepan 4 oz of barley (Baker's or Pot) or pearl barley and 2 pt of water. Bring to the boil, cover and simmer gently for 30-45 minutes. Stir in 2 oz sugar and the zest of 2 lemons and leave until cold.

Strain through a muslin-lined sieve. Add the juice of two lemons, or more to taste, and serve chilled.

ALMOST INSTANT LEMONADE

Mildly fizzy and refreshingly sharp, this is the thirst-quencher I associate most with Betjmanesque summer

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BOOKS

The vamp turned Mother Teresa

JANET MORGAN writes serious books that people rush to buy for frivolous, idiotic reasons. When she published her biography of one of the most popular authors of all time, the only question that bothered the reading public was the supposed mystery of Agatha Christie's "disappearance" for 10 days in 1926 (it emerged that she had gone off to the Hydropathic Hotel in Harrogate for a well-deserved breather from her unfaithful husband).

Now customers will be lining up at Hatches agog with curiosity to discover whether Edwina Mountbatten did or did not with Pandit Nehru. The prudent will not be disappointed in their quest, but en route they will discover a luminous portrait of a fragile, porcelain beauty whose surface has been peeled away to reveal a troubled soul.

If some are horn with silver teaspoons in their mouths, Edwina Ashken was born with a jewel-encrusted gold soup-ladle that almost choked her. Grandchild of Sir Ernest Cassel, banking Croesus and intimate friend of Edward VII, she suffered neglect and isolation, save from an army of nurses and governesses. In Broadlands, the large country house built by her grandfather,

Janet Morgan's precise reconstruction of Edwina's lonely Edwardian childhood touchingly evokes its pastoral delights, emotional starvation and precocious yearnings unsatisfied by the grim indifference of English upper-class family life. Or, in Edwina's case, lack of it. For her parents, whose marriage was not "curled (as Miss Morgan puts it) by too much proximity," virtually ignored her. In 1908 and 1909 she spent a total of only about 12 weeks in the same place as her mother - a pattern of maternal

irresponsibility that Edwina later avenged by visiting it on her own children.

As the "richest heiress in the world" in the 1920s, Edwina embarked on two decades of frenetic party-going. Miss Morgan's chronicle of her whirling social life reads, at times, like an unnatural combination of Jennifer's and Mrs. Pooter's diaries. This is the diary of a somebody, albeit a selfish, empty-headed, thoughtless, brittle, pleasure-seeking, free-spending bright young thing whose only claim to be anybody derived from inherited wealth and marriage to Dickie Mountbatten. Hers was the world of *Antic Hay* and *and A*

EDWINA MOUNTBATTEN: A LIFE OF HER OWN
by Janet Morgan
HarperCollins £20, 309 pages

Handful of Dust, in which the closest she came to justifying her existence was as a volunteer telephonist for the *Daily Express* during the General Strike. She brought home a tiger from Africa and two wallabies from the Dutch East Indies. "What am I to feed them on?" she asked the native from whom she bought them. "No problem at all, just orchids."

The "complete hecticness" and "night-time day" that characterised her social life inevitably poisoned her marriage. She plucked fresh orchids and lovers with as much the same facility. A few, such as William Paley and Malcolm Sargent, were men of intellectual substance; most were worthless Anglo-American dandies or middle European gigolos. On one occasion a servant at Brook House, the Cassel palace on Park Lane, announced that he

had shown Lord Molyneux into the morning-room and Mr. Sanford into the library, "but where should I put the other gentleman?"

Mountbatten disappeared to Valletta rather than Harrogate. He reacted by taking a woman-friend of his own. In a jealous tantrum Edwina stole her from her husband. Mountbatten then befriended Edwina's lover, whereupon, after a while, a measure of peace was restored in a bizarre manner. Meanwhile, the children suffered. In 1938, when war seemed imminent, Edwina, fearing for their safety, sent them with a servant to an hotel in Hungary. Later she forgot the hotel's address.

Then, overnight, the vamp was transformed into a saint. The metamorphosis was sudden and astonishing - as if Mae West had woken up one morning as Mother Teresa. The transfiguration was triggered by the outbreak of war. Edwina exchanged her party frocks for uniform and worked selflessly, and effectively for the St John Ambulance Brigade and the Red Cross. In India during the later part of the war, she toured hospitals, noting deficiencies and pressing for their correction. Once she had finished at having to sleep in the upper berth of a trans-European express. Now the prince no longer complained about the pea: she happily occupied the luggage rack of a third-class Indian troop train. After VJ Day she was among the first volunteers to visit liberated prisoners in isolated camps throughout the Far East, bringing comfort and hope, medical supplies, boiled sweets and cigarettes to thousands suffering the after-effects of Japanese barbarism.

The last vicereine, in the waning months of British rule in India, she

performed her allotted role with conscientiousness, energy and grace - and then committed the unpardonable crime. It is a sorry reflection on what is now allegedly a multi-racial society that Edwina's breach of the interracial taboo should still send a frisson down the English spine. Most Indians don't feel that way - at any rate to judge from their apparent readiness to embrace Nehru's Italian granddaughter-in-law as their leader. But Edwina's affair with the Indian prime minister brought out some of the less attractive features of post-war English society: its snobbery, racism and sexual hypocrisy. Miss Morgan, who has had access to the private correspondence of Edwina and Nehru (at times they wrote to each other daily) rises above all that: she handles the relationship with delicacy and insight.

This is a long but readable book with only a few minor errors. The novelist's Treasury Secretary, Henry Morgenthau, is confused with his son Robert. Ivy Litvinov was English, not German. The *Daily Express's* notorious headline, "Britain will not be involved in a European war this year, or next year either," appeared not on September 1, 1938, but on September 30, 1938. None of this matters much. More questionable perhaps is Miss Morgan's occasional tendency to present Edwina as if she were a free-spirited feminist. "She wanted freedom to find out who she was and what she could do..." Hence the book's subtitle, arguably a mistake, since Edwina's fundamental tragedy, as it emerges from this humane, sensitive, carefully researched and beautifully written biography, is that her life was everybody's but her own.

Bernard Wasserstein



FEW IF any British diplomats can be said to have had such a string of plum postings as Sir Frank Roberts and held them at such a fascinating time. Even before he was an ambassador, the young Roberts was frequently in the right spot. During a famous debate in the House of Commons in 1938, it was he who handed the note to Chamberlain from the officials' box saying that Hitler had agreed to a summit in Munich. In the war he was an interpreter between Churchill and de Gaulle. He was sent on a secret (and successful) mission to Portugal to request the allied use of the Azores. In Lisbon he met a young American diplomat called George Kennan, with whom he was subsequently to work on a postwar view of the Soviet Union. Roberts was at Yalta; indeed he was practically everywhere that mattered.

After the war, he was principal private secretary to Ernest Bevin. He was ambassador to Yugoslavia, Nato (then still in Paris), Moscow and finally Bonn. Thus he also knew practically everyone that mattered: not only Stalin, Krushchev, Tito and Adenauer, but the up-and-coming as well. In the

Diplomatic batsman

early 1960s he tipped the young Helmut Kohl as a future German Chancellor.

Yet in many ways Roberts was nothing like the conventional picture of a British diplomat. He was born in Argentina where his father was setting up what was to become

DEALING WITH DICTATORS
by Frank Roberts
Weidenfeld & Nicolson £25, 294 pages

the South American Underver. His mother was a suffragette and taught by R.H. Tawney at the London School of Economics. He went to school at Bedales before going on to Rugby, then Trinity College, Cambridge.

Physically a very small man, it may come as a surprise that he did well at rugby and cricket. He was once the highest scorer in a cricket match in Berlin which he claims received more coverage in the *New York Times* than any test match. Never a man to hit out



Frank Roberts

when a fine glance would do, he made 32, all in singles.

During an early posting in Egypt he married a Lebanese called Celia whose parents were shocked at her going off with an impecunious English

diplomat. Together they were a formidable partnership. Lady Roberts died last year. I wish I could have read the draft of a book that she wrote. Unfortunately the sole manuscript was lost in an air crash on the way to Yalta.

Sir Frank has waited until his eighties to produce his own memoir. He describes them as "primarily a personal commentary on the great events and great leaders in my diplomatic career." They are refreshingly free of diplomatic sentimentality ("so-and-so and his charming wife"), but there are few great disclosures either. He admits, almost in an aside, that he was opposed to Suez, but he was in Yugoslavia at the time. One of his few embarrassments was being warned in advance by Krushchev of the building of the Berlin Wall, and not duly twigging. He is at times quite critical of Churchill. His ideal foreign secretary was Bevin.

For the most part, however, his book is an account of the establishment and maintenance of the western alliance,

and his own not inconsiderable part in it. He played as big a role as anyone, for example, in the setting up of the Western European Union, which is still periodically revived as the framework for European defence. Earlier he had been prominent in urging the Berlin airlift which, he notes, turned the western powers into the protectors rather than the occupiers of West Germany. All this is told with great lucidity, frequent modesty and a fine sprinkling of anecdotes.

Sir Frank has always been a Nato rather than a European Community man, which was not his fault given his postings. Yet it is a pity that he does not finally stand back and look at British foreign policy as a whole. Policy towards Nato was a great success; it helped keep the Americans in Europe. Policy towards Europe in other matters has been much more questionable. It could be surprising if Sir Frank had not thought deeply about this apparent mis-match, yet he has chosen to remain largely silent. Another hook perhaps?

Malcolm Rutherford

Assassinating Twain

FEW AUTHORS remain heroes to the editors of their texts. The relationship can sometimes induce a personal hatred. This is illustrated by Guy Cardwell's *The Man Who Was Mark Twain*. Cardwell, an English emigrant at Washington University, St. Louis, is a dedicated Twain scholar, and has edited Mark Twain's writings for the Library of America collection.

The series, modelled on the excellent French *Pléiade* books, was published in the UK in the 1980s by the Cambridge University Press which has now ceased to market it. (They do still have some copies available of Twain's *Mississippi Writings*, edited by Cardwell, which at the reduced price of £7.95 it was £17.50 - a bargain.)

It contains *The Adventures of Tom Sawyer*, *Life on the Mississippi*, *Adventures of Huckleberry Finn*, *Pudd'nhead Wilson*. There - in one convenient package - are three much-loved, much-read-old stories in which the Twain vernacular - the unmistakable drawing, twanging Missouri tone, comes to us straight off the page. An old Argosy recording of Bing Crosby as Tom renders the sound perfectly.

Reading Twain now - in 1991 - ominous shadows do from time to time occlude the sunlight; the constant harping on the word nigger, for one. Then there is that famous moment in *Huckleberry Finn* when Huck, attempting to explain his late arrival to Aunt Sally, improvises: "It warn't the grounding - that didn't keep us back but a little. We blowed out a cylinder-head."

"Good gracious! anybody hurt?" "No'm. Killed a nigger." "Well, it's lucky; because sometimes people do get hurt."

One assumes that this is meant to be ironic, but after reading Cardwell's chapter, "Raceism and *Huckleberry Finn*", one is no longer completely sure. The central point of that chapter is to show how Jim, the runaway negro slave whom the boys are trying to help escape to freedom, is frequently presented as no better than the stereotypical buffoonish dandy of the minstrel shows. Twain, Cardwell writes, "moved [as he matured] from being blatantly racist to being paternalistically racist - though... with curious lapses."

Many of these lapses occur

in a hoard of dirty jokes which Twain recorded in his notebooks and to which Cardwell devotes another distressing chapter. It is all part of this writer's effort to subject Twain to a psychological deconstruction which, though often acute, is by no means free of jargon. After his chequered youth, Twain married the genteel Olivia (Livy) Langdon from Elmira, New York. Cardwell delineates the marriage like this:

"The physically infirm creature whom Clemens made his own by something resembling the

THE MAN WHO WAS MARK TWAIN
by Guy Cardwell
Yale £18.95, 267 pages

abduction-acquisition method became a numinous paraclete who imposed the bonds of the sacred. By exercising her talismanic authority, she warded off the dangers of the alien culture; her domestic maps were more potent than the demonic maps of the external world."

Cardwell calls Twain throughout by his real name Clemens. The famous author tried out several pen-names (standard practice for a periodical humorist) before settling for "Mark Twain," an often-heard cry of the Mississippi river-boat pilots - a profession Twain practised for five years.

Measuring the glaring discrepancies between Clemens and Twain has long been a favourite pastime of American critics. On the one hand, there is Sam Clemens, a naive, pushy, clever lad from Hannibal, Mo. On the other, that ultimate Delfy, paramount in the definition of America, the patriarchal Mark Twain, white suit and carefully fluffed hair, attracting vast enthusiastic audiences to his public readings.

Cardwell traces the history

of the great Twain debate back to the days of William Dean Howells. Twain's editor on the *Atlantic* monthly, followed by Van Wyck Brooks, Twain's earliest detractor, and Bernard DeVoto, the editor of his papers, and one of his staunchest defenders after his death.

The defenders tended to point to Clemens's marriage, his acceptance into the family of the newly rich, coal mine-owning Langdons, and the influence of their spendthrift daughter as being the major emasculating force. The Langdons, the argument goes, destroyed Twain's native innocence and uncorrupted energy by recruiting him into the plutocracy. Cardwell reverses this picture devastatingly. It was Twain who drove himself and his wife to bankruptcy by his harebrained schemes to get-rich-quick, and who squandered not only his own earnings but sizeable amounts of his wife's fortune in dubious investments. She counselled caution; he was the compulsive speculator. He was - according to Cardwell - driven along by a demon of guilt both moral and sexual. The couple had a son (who died young) and three daughters (one of whom also died young). In old age, after Livy's death, Twain evinced an unhealthy interest in pre-pubescent girls.

This is not a book to recommend to those who enjoy reading Twain, and who admire the amazing ease of his colloquial manner and his irrepressible cheerfulness. It is not concerned with his work as such. It is a posthumous character assassination. The literary idol of the Frontier, previously worshipped for his sanity and common sense, is toppled from his pedestal with an almighty crash. It leaves the way clear for someone to pick up the pieces and put Humpty Twain together again.

Anthony Curtis

Adrift in the Dark Ages

THIS ENGAGINGLY written book is an archaeological shocker. Peter James sets out to prove a heresy, that 250 years of history in the early first millennium BC - a period known nowadays as a Dark Age, especially in Greece where it is sandwiched between the Mycenaean monarchies and the glory of classical Hellas - did not exist.

Mistakes in Egyptian chronology, it is argued, have created a time lie. Remove that, and it is easier to explain how civilisation progressed from Bronze Age to Iron Age and the classical world that still affects us.

Is this scholarly nitpicking? No. Without chronology there can be no universal history. It is the framework of history,

the means of comparing one society with others in terms of how it has advanced and influenced, or been influenced by, the others. It is always important to get the dates right.

CENTURIES OF DARKNESS
by Peter James
Jonathan Cape £19.99, 434 pages

Does James's theory do that? "Not proven" is the fairest verdict. He is right to point out inconsistencies and circular arguments in the standard Mediterranean and Middle Eastern chronologies, which start from the Egyptian king lists and then attempt to link artefacts, cultures and major catastrophes to them.

But he has not yet knocked away the foundations of history in the centuries around 1000 BC, as he wants to do by lowering the Egyptian 18th Dynasty (the time of Tutankhamun and Akhenaten) by 250 years and thus squeezing out the Dark Age, a notion to which he seems to have a 19th century antipathy, not wanting any discontinuity to interrupt civilisation's advance.

New radiocarbon dates from testing organic matter are tending to say that the 18th Dynasty is dated more or less correctly, which means that there is still room for a Dark Age. But we need many more carbon dates to be certain. Eventually radiocarbon, working with tree-ring dating which is precise to a single year but is restricted by a shortage of preserved ancient wood, will replace the Egypt-based systems. Then there will be one worldwide chronology, which will easily compare Aeneas with Mycenae, Carnac with Karak.

Gerald Cadogan

Feminine view of the Virgin Queen

WHEN SIR John Neale wrote his biography of Elizabeth I, a colleague wrote: "Men (especially if they are professors) think I know all about women (especially if they are queens)." Profiting from that, I am in favour of a woman's view of this very feminine monarch; after all, mere men can hardly tell what it is to be a woman, let alone a queen.

Lady Anne Somerset passes this test triumphantly. Not only that - she is an experienced biographer, a thorough researcher, admirable writer and a reliable guide of character. Just as well, for Elizabeth I is a complex character, not easy to get right. People think of her as capricious and contradictory, and she was often maddening to her ministers. They thought her changeable; but notice, she kept every one of them loyal till they died - Burghley, Walsingham, Winchester, Lord Keeper Bacon, Leicester. A contrast to her father, Henry VIII, who really was capricious.

Over all the personal issues and crises Lady Anne is illuminating and makes the most of her feminine advantage. For example, something new: she goes fully into the extraordinary episode of the Queen offering her favourite, Leicester, as a husband for Mary Queen of Scots. Mary felt insulted: "Is that conform to her promise to use me as her sister?" But, on the personal level, it was a good ruse to Mary's comment that Elizabeth intended to marry her "housekeeper" - Leicester was Master of the Horse. I fear that these royal ladies had not much love for each other. Mary would have done better to have married Leicester than either Darnley or Bothwell.

Poor Mary, she had no luck; Elizabeth had all the luck in not marrying at all. Lady Anne diagnoses her "temperamental aversion to marriage". No wonder - after the experience of her mother and her cousin, Anne Boleyn and Catherine Howard, her

The author is perhaps over-cautious. We need not doubt that Anne Boleyn was inno-

ELIZABETH I
by Anne Somerset
Weidenfeld & Nicolson £20, 636 pages

cent of the charges against her: she was a victim of a frame-up, having failed to produce the expected male heir to the throne. We miss the bitter irony that her life came to depend on that of her rival, Catherine of Aragon. Once she was dead, Henry could make a clean sweep and an unquestionably legitimate marriage, to Jane Seymour.

Nor need we be doubtful of the virginity of the Virgin Queen of which Elizabeth made such play always played to the gallery. The famous Henri Quatre of France said that one thing nobody believed and yet was true was that the Queen of England was a virgin. He was an authority in such matters. Elizabeth was agog to meet him, but the heroic soldier, who had survived so many battles, was unable to face a Channel crossing.

A.L. Rowse

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The first room of the exhibition is as interesting as the grisly finale. For the



By far the most famous of these group paintings is Zoffany's portrait of the founding members of the Royal Academy in 1771, probably painted for George III and owned by the Queen. In many a feminist account of art-history you will read that the second-class status of women in the Academy at that time, its only lady members, Mary Moser and Angelica Kaufmann, is made clear by the way Zoffany includes them only as portraits on the wall. In front of

B.A. Young

Boscoll (1580-1607) at Harari
and Johns

★

Degas, perhaps more than any other late 19th century painter, was indebted to the great tradition. Like Picasso this century, he is the consummate Modern Old Master. He combined the study of the art of the past with technical virtuosity and ceaseless experimentation. Drawing remained central to his creative process. A small but rewarding exhibition of 26 works at David Bathurst Ltd (91 Jermyn Street, SW1, until July 5) represents almost every technique, medium and combination of processes employed by Degas the draftsman. It should not be missed.

a body of poems – and a reading of them – that was far more from informal. The voice was deep and lulling, with its long, stretched o's, the manner of delivery expansive, generous, confident, calculatedly eloquent, and even florid when the need arose. The poems themselves were quite shockingly strict in form – almost every one of them was written in regular, rhymed stanzas and their subject matter ranged widely from the grave, self-consciously poetical evocation of a war veterans' cemetery, "an opaque and indirect poem," Gioia told us (this one was

[illegible]

patches of recitative, but one or two major numbers as well; and because Harmoncourt's conducting, which favours fierce accents, extremes of tempo, and an insistence on the driest, most brittle aspects of "period" instrument articulation, gives so mannered an account of the opera. But since no other *Lucio Silla* is currently available, that alone should ensure the Teldec a welcome.

Max Loppert

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TRAVEL

Nevis, in the Leeward islands, has suddenly joined the 20th century and now has its own luxury resort complete with lobster-grotto

Now hear the word of the Lord

IF YOU are ever in the Caribbean on a Sunday, be sure to go to church. God is bound to notice absentees. To quote Sister Euphemia, a Methodist lay member of Nevis: "You can hide from your children, parents, friends, but you cannot hide from the Lord because the Lord never sleeps."

Quivering in her pink frock and Sunday best, Sister Euphemia has a message for us: "Duty calls, we shuffled in our seats and then nodded in the pews, humming birds hovered in the boughs."

What I love about these Caribbean services is the juxtaposition of human drama and natural tranquillity, and the island life. Many tourists never venture beyond their hotel's beach, either because they lack curiosity or want a completely relaxing time. In both cases British holidaymakers should head for Nevis, St Kitts or St Lucia, to see what they can find. All three islands have fine beaches and tourist enclaves set apart from the churches, ramshackle bars and cricket pitches.

But if you want local colour and somewhere less crowded, less commercialised than Antigua, Barbados or St Lucia, there are unmet needs, quieter, wilder islands to explore.

My trip to Nevis was part of a fortnight's island-hopping around the Caribbean. Using local airlines we flew straight from Antigua to Nevis for a week, then to St Kitts, then to St Lucia, and finally to Nevis for the final flight home.

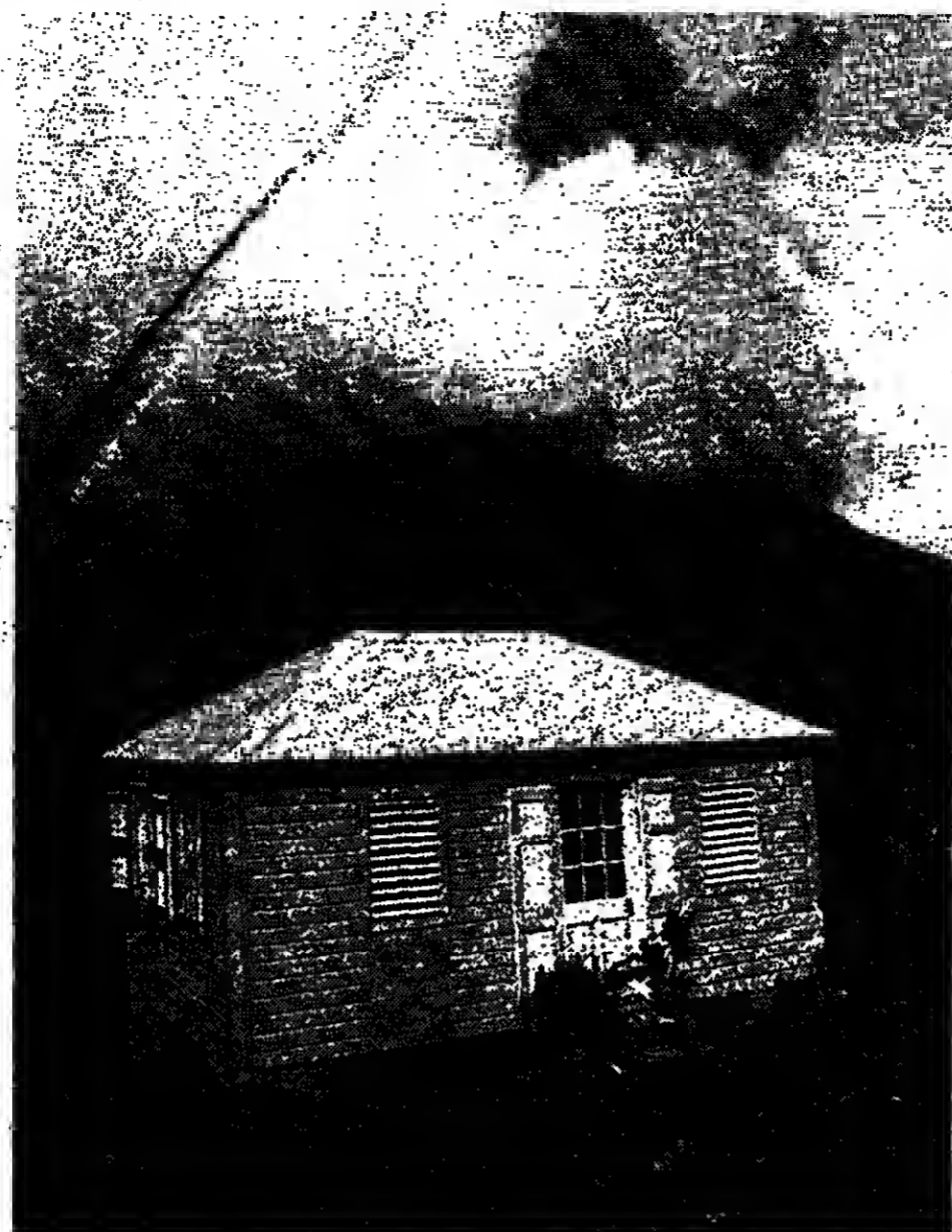
The itinerary was not strenuous, quite the reverse, for one can really travel light in the balmy Caribbean and both the inter-island flights and transfers are usually swift and efficient. In spite of their proximity, Nevis, St Kitts and Anguilla have totally different landscapes. Nevis is volcanic, lush. St Kitts is hilly with scrubby vegetation and lovely bays. Anguilla (meaning "eel") is long and narrow, a low-lying island of coral, hence its aridity and ultra-white beaches. Each island has a distinct culture so visiting each makes a varied holiday.

On Nevis we stayed at Montpelier Plantation in the foothills of Nevis Peak. It incorporates a restored sugar-mill dating from the 17th century when British settlers colonised Nevis and set slaves to work on the cane. Sugar was later superseded by cotton and coconuts, groves of which still flourish around the old estates.

Montpelier, accordingly, is leafy and cool, thanks to its garden arbours, airy bedrooms and large swimming pool. For me, Montpelier is an idyllic place marked only by the toads that squat in the paths at night; others may be put off by the fact that it is not a beach hotel. But cars are cheap and easy to hire, the best beach (Pinney's) is seven miles away and Montpelier was never meant to be a regular hotel. With accommodation limited to three dozen guests, most of whom are British, it has the feeling of an English house party.

The surroundings, however, are distinctly Caribbean. Football fields, rickety shacks, yards full of rubbish, goats and barking pigs vie with shiny foliage, luscious flowers and squeaky clean children in smart school uniforms. Tropical birds, crickets and catpaws are everywhere.

There are several footpaths round the island and we followed one up through the mossy rain-forest towards the lofty Peak. The climb yielded



All quiet on Nevis. But now there is a luxury resort-hotel on Pinney's Beach, operated by Four Seasons

good photographs, as did a visit to the jolly market in the 18th century capital, Charlestown, and to the mill-cum-museum that houses memorabilia of Nelson's sojourn and wedding in Nevis in 1787. Nelson came to the island to protect its British status. Despite independence, Nevis is still part of the Commonwealth. St Kitts, by contrast, is unmistakably French. Every one nips round the nine square miles of island in mini-motors. Women sunbathe topless, men play boules, garlic wafts from the restaurants, cafés serve more French than punch and boutiques sell Hermes and Cartier.

Self-catering is worth considering in St Kitts because there are some stunning villas to let, often with sea views, private pools, balconies, hammocks and rocking chairs - all for less than you would pay to stay in a hotel. St Kitts is expensive - everything has to be imported - but hotels top

the hill. We stayed at the Hotel Guana which has a beautiful pool and beach and truly lovely cuisine. However, the house prices, even for basic bed and breakfast which, in French territory, means a small bedroom, coffee and croissant, would deter us from going there again.

The strangest thing about St Kitts is its predominantly white population. Most of the 3,500 islanders are direct descendants of Huguenots from Brittany and Normandy who settled on St Kitts over three centuries ago.

In Anguilla we were back among coloured people, steel drums and left-hand driving (the island is officially British). Its chief claim to fame was its 1969 "revolution" when the Anguillians decided to break away from the controlling island of St Kitts but subsequently came to blows themselves. Half the islanders wanted a continued association with Britain. Half wanted an

independent Anguilla, a ridiculous notion according to our taxi driver, "considering we're just a little dot."

To prevent civil war (and possible invasion from Cuba), Britain sent in paratroopers and later the London Metropolitan Police. Today the islanders are at peace. Anguilla is chiefly popular with US tourists. The hotel standards they demand - and get - are high.

Cindy Selby

A bedtime shock

AMONG THOSE who know the Caribbean well, Nevis and its neighbour, St Kitts, which are separated by a two-mile channel, are especially well regarded because of their beauty, intimacy and friendliness.

As James Henderson says in his definitive *Cadogan Guide to the Caribbean*: "Unless you hide out in the tourist ghetto in the south of St Kitts (or lock yourself away in plantation splendour) you cannot help but notice life around you in St Kitts and Nevis. There is a strong and vibrant West Indian culture. Expect to be accosted in the street. You may be asked for money or given a slug of rum. Either way, the Kittians and Nevisians will let you know their thoughts on life."

Nevis (six miles by eight) is almost circular. Because of its sugar wealth and stately plantation houses, it was once known as the Queen of the Caribbees. Recently, eyebrows have been raised at the emergence on Nevis of a large (196-room) luxury beach-fronted "destination resort" operated by the Canadian-based Four Seasons Hotels and Resorts, which describes itself as "the world's leading operator of properties exclusively in the luxury class." These include hotels in the US, Canada, UK and elsewhere, plus the Four Seasons Resort Wailea on Maui, Hawaii, which opened last year.

The new resort on Nevis is on a 2,000-ft stretch of Pinney's Beach, where the sand is darkly volcanic, not "powdery white" as wrongly described by *Four Seasons*' usually-reliable propaganda.

Special features at the Nevis resort include (one can but quote): "Private luxury sea planes" operated by the Canadian-based Four Seasons; a lounge on St Kitts to the resort's own dock on Nevis; ice spritzers and ice towels to cool guests who are sunbathing; lunches and snacks delivered by golf cart to guests' tents on Nevis; a 1,000-lobster grotto to insure that guests can eat lobster even when there's no catch. The rooms are large and

luxurious, the food excellent. Other facilities include 10 tennis courts (all-weather and clay), a health club (gym, sauna, whirlpool, what have you), volleyball, shuffleboard and croquet courts, and plenty of water sports.

The reason the resort has caused raised eyebrows is that many who knew Nevis previously would be shattered by a bustling beach resort of this size. But they need not despair. So far I could tell on a recent visit, Nevis, which is poor and backward (part of its charm for snobs), is fortunate to have attracted the eye of a group as good as Four Seasons. The partnership should prosper.

From Nevis I crossed to St Kitts, for a day-and-a-night's R&R at one of the best small hotels in the Caribbean, Rawlins Plantation, which is 16 miles from Basseterre, the capital, and set amid the cane fields of an old plantation estate on the northern slopes of volcanic Mt Liamuiga, with views out to sea.

In a recent issue, *Condé Nast* magazine listed its six best Caribbean resorts, culled from a starting list of 600-700, and awarded Rawlins Plantation the going for best food. Other goings: best setting: Anne Chastant, St Kitts; most personal service: Golden Lemon, St Kitts; most

reclusive: Petit St Vincent, the Grenadines; best-kept secret: Horned Dorset Primavera, Puerto Rico; most luxurious: Round Hill, Jamaica.

The food is certainly good at Rawlins Plantation, but then so is the setting. In the *Cadogan Guide*, James Henderson calls Rawlins "quite simply the most idyllic place I saw in a year's travelling in the West Indies."

Life is sweet and simple at Rawlins. There is a (grass) tennis court, a croquet lawn and a pool. Walks in the rain-forest can be arranged. But the beauty of this small hotel - there are nine rooms, scattered in stone outbuildings surrounded by lush and bougainvillea - is so great, and so moving, that all you will need eyes and ears for are the birds, the sugarcane, the tradewinds blowing through the palms and the sudden sigh of night-rain.

Be careful in bed, though. I had been sleeping for an hour or so when I was jolted wide awake by a stinging, ringing bite that felt like an electric shock. I had been bitten by a venomous centipede. But he live in the sugarcane, but are fond of warm beds. It was a particularly painful bite. I fell into shock. But then I recovered.

Michael Thompson-Noel

INFORMATION

Michael Thompson-Noel flew c/o BWIA International to St Kitts, and then by small plane to St Kitts. BWIA plans a direct connecting service, London-St Kitts via St Lucia, later this year. There are other connecting flights via Barbados and Trinidad. BWIA's APEX economy return, Heathrow-St Kitts, is £360; club: £2,094.

Various UK tour operators offer packages to the Four Seasons resort, Nevis, including Caribbean Connection, Elegant Resorts and Caribbeanair. If making your own arrangements, basic room rates (until December 14) start at \$200 (£122.60) per night, room only, plus 7 per cent government tax, 10 per cent service charge and transfers. There are various packaged rates, including a Sporting Spree package: unlimited golf and tennis, plus snorkelling/windsurfing, breakfast and dinner, \$150 per person per night, based on double occupancy, plus tax and service. London: tel 081-941-7841, US toll-free 800-332-3042. Rawlins Plantation, St Kitts, is in various brochures. If booking independently, the daily tariff (until Dec 14) is \$225 double, \$150 single, including meals, excluding tax and service. UK representative: Windolal, 3 Epsom Rd, London SW6 7JL, tel: 071-730-7144, fax: 071-838-4793.

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INFORMATION

Cindy Selby's trip was organised by CV Travel (London tel: 071-581-0851; brochure: 071-588-0132), whose Caribbean programme includes Nevis, St Kitts and Anguilla, plus inter-island flights for those wanting to combine two or more. Depending on season, CV's prices for a 10-night stay at Montpelier Plantation from Nevis range from £1,233 to £1,783 per person, based on two sharing, including all flights, transfers and half-board.

Travel News

World jaunts

MICHAEL PALIN is shortly setting off again on his travels - this time from pole to pole rather than around the world in 80 days. But the BBC has taken the opportunity to publish a page-long account of his best-selling account of the journey. Next month it starts a repeat of the series on Sunday evenings.

Travel agents report that Palin's journeys always spark renewed interest in round-the-world travel which is one of the most buoyant long-haul markets.

So, for the adventurous in spirit, a selection of ways to circumnavigate the globe. Air is the most popular method of travel but prices vary according to routes, times and flight demand. British Airways, for example, says its round-the-world fares start at £1,500 for an economy ticket with a minimum of three stopovers and no maximum number of journey breaks. It has links with Qantas and United to offer greater flexibility. These fares start at £2,137. But BA says a tailor-made itinerary can be arranged for virtually any route.

Cathay Pacific has a special brochure to highlight the various air routes, both easterly and westerly. It offers with other carriers. Its prices start at £1,608. Australian specialist Austravel also has a brochure on round-the-world fares: using charter and scheduled flights its Canada, Australia, Fiji, Singapore and London route starts at \$249.

Lowest fare from American Express's Airline Fares Unit was \$266 (without taxes) on a route travelling from London to Los Angeles to New Zealand

to Hong Kong and back to London. Details: 071-323-9003.

At the other end of the scale are Concorde flights. The last world trip, two years ago, cost \$39,000 (£23,928.30) per person. Sea voyages are the rather more traditional - and relaxed - way of viewing the world. Such is the demand that P & O is next year carrying out two voyages simultaneously - one westbound on *Canberra* and the other eastbound on *Sea Princess*.

The *Canberra* voyage takes 90 days and starts on January 4 next year, sailing from Southampton, cruising the Caribbean, South Pacific and on to Australia, before returning home via Japan, Hong Kong and South Africa on April 4. Fares start at \$5,280 - which P & O points out is only 15p per mile - and range up to £21,380 for the top suite. *Sea Princess* takes the opposite route, but takes 82 days, departing on January 10 1992 and returning to Southampton on April 10. Fares range from \$9,995 to £18,360.

Thomas Cook, which celebrates its 150th anniversary next week, has arranged a special 84-day world tour to celebrate. Places are still available at \$18,500 per person, single supplement \$2,500.

Thomas Cook has also published the new edition of its railpass guide. Relaunching as the World Travelpass Guide, it describes deals for the independent traveller. Available from bookshops or Thomas Cook branches, price \$2.95; or by post from Thomas Cook Publishing, PO Box 227, Farnborough, F15 6SB, (£3.85 including p & p).

David Churchill

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WE ARE told that there is no such thing as a free lunch. Strictly speaking, this aphorism must be true. Someone, somewhere, is paying for the lunch even if it is the chef who cooked it. However, the usual meaning of "no free lunch" is that the person who is being paid for ends up paying himself in some other form, which may include listening to the drivel of the man with the tah through the length of time it takes to eat three "free" courses.

But in the widest sense, there are vast numbers of genuinely free lunches in the hazy executive's life. They are called perks and are a far more insidious assault on shareholders' funds than the

inflated salaries that have been recently exercising newspaper leader writers, taxi drivers and prime ministers.

The issue of the perks has finally broken surface in the pages of Britain's most democratic newspaper, the *Sun*. We all knew that Robert Evans, the chairman of British Gas, had awarded himself, sorry, been awarded, a pay increase of 66 per cent, or £47,194, to £370,063. I have no quarrel with that. Few people have any idea how tough it is to run a monopoly. You have to butter-up politicians to make sure they allow you to continue to run the

Pass the lunch bag, Alice

The problem with chairmen, says Dominic Lawson, is not the pay — it's the perks

monopoly. You have to decide how much to charge consumers for a product they cannot live without. You have to decide what is the highest profit you can get away with without appearing disgustingly avaricious, rather than just avaricious.

The arguments apply to all those electricity and water company chairmen who have recently been awarded pay increases of between 50 and 150 per cent. You probably work in a competitive business, where prices and levels of profits are determined by the market. You just sit back and let Adam Smith's

invisible hand decide, so you really should not complain if monopolists such as Evans earn four times as much as you.

But back to the free lunch, which is getting a little cold: the *Sun* revealed that the deserving Evans had also received £28,000 of British gassy home improvements and that, so far at least, British Gas has picked up the bill.

These included Evan's very own street lights; four showers; five gaslights; a gas-fired barbecue; a gas-fired dishwasher; a tumble dryer (presumably gas-fired); a Glow-worm gas fire; a New World

oven grill; a Greatglow basket fire, plus surround; a Valor Super Fire; a cooker-hob; an Aga cooker; and last but not least, central heating with two boilers. (I am sorry to see that Evans has not managed to get British Gas to set him up with a gas-fired television set. I remember many years ago his predecessor and mentor, Sir Denis Rooke, telling me that British Gas had developed a television which ran on gas. But then, Sir Denis had a very strange sense of humour.)

Evans, it seems, gets not just a free lunch but a free kitchen in which to cook it.

Although the *Sun* may not realise it, it has stumbled on an unnoticed point in the whole debate on executive pay: which is that the executives do not need to be paid at all, but could live entirely off their perks and expenses.

They wake up in their company house (Evans's company house is a Georgian terraced one in Holland Road, Kensington). Then they read the newspapers, naturally paid for by their company — how else could they keep informed? (Evans probably listens to the news on a gas-fired radio). No need to pay for the journey to work: the car and the

chauffeur are gifts from grateful shareholders. Lunch, by definition, is free. The tab for dinner is picked up by this lobby group, or that journalist. And of course, after two such large free meals, our executive will want no breakfast next day, so paying for the corn flakes himself is out of the question.

The *Sun* rightly castigated Evans for his expense account life in its editorial column. I am sure that, if they were to be revealed, *Sun* editor Kelvin McKenzie's expenses would be tiny in comparison with Evans's £28,000. I would happily reveal my own expenses here but there is no time because my car has arrived to take me to lunch. I forget who's paying.

■ Dominic Lawson is editor of the *Spectator*.

WE HAVE enjoyed the spectacle of two former prime ministers trading blows over Conservative policy towards Europe. But do we, the great British public, really know what we think about being bound more tightly to the European Community?

Not even the populist Lady Thatcher has managed to rouse our democratic hackles, our constitutional ire. An ICM poll in Wednesday's *Daily Mail* showed 43 per cent (of a sample of 1,414) in favour of joining some kind of European super-state and 31 per cent against. In spite of all the fuss, 26 per cent were exposed as Don't Knows.

With the Luxembourg summit due this weekend and a December deadline set for the next steps to political and monetary union, I asked Sir Teddy Taylor, the Glaswegian MP for Southend East and veteran anti-Marketeer, to explain why we are so confused at this crucial point in our island story.

Taylor knows exactly what he thinks, and has done so ever since, at the age of 24, he resigned from Edward Heath's government in protest at its decision to join Britain to the Common Market.

"There were always about a dozen like myself who thought the whole business was rather a nasty protectionist racket. You've always had about half a dozen who think it's the best thing since sliced bread. But the great mass in the middle of Conservative MPs who were previously favourably inclined to the EC, thinking it's good for our children and grandchildren are now worried, alarmed, perplexed and distressed."

Nonetheless, I suggested, it seemed most people were happy to be led gently into Europe.

"I don't think it's true," he said. "People are now coming in my direction. It depends entirely on the questions they are asked. If it's 'are you in favour of a more united Europe?' they say yes. If it's 'are you in favour of giving more powers from your democratic parliament?' most would say No. There is a huge propaganda machine of course, as you know."

What do the people of Southend think?

"Sadly, I find that the majority of people in Southend are not greatly exercised by it one way or the other," he said. "But when you get people to a discussion and put facts before them the vast majority agree with me and will say 'that's what I've always thought.'"

Asking Teddy Taylor for his views on the EC is a bit like putting a coin in a coffee vending machine and getting gallons of hot water all over your shoes.

But his antipathy boils down to three things: lack of accountability, inefficiency and protectionism — and the greatest of these is protectionism. For him, the European Community is a machine of crime and economic crime, hostile to free trade and therefore to the wider world. His every answer comes back to this point. His solution is to campaign for a two-tier Europe with Britain in the second, more independent, tier.

Teddy Taylor adopts the tone of a missionary lecturing a circle of baffled natives. He is an affable, courteous man. But his manner is feverish and he perspires with energy. He does not debate, he jousts. He is so fiercely right-wing in economic matters (as in his attitude to crime and punishment) that you suspect it is a condition, not just an ideology.

I asked: Aren't you really a Little Englander in disguise?

"Far from it. I'm a Big Worrier, I hope. I like to think of myself as an internationalist. One thing I realise is that Europe is so totally and so utterly anti-international. The way they use their anti-dumping powers... What I hate is what



Private View

Doubts begin at Calais; Essex man is suspect

Christian Tyler meets Tory MP Teddy Taylor, veteran anti-Marketeer

the EEC is doing to the rest of the world."

Wouldn't you admit that behind all the analysis, the statistics, there is another part of you speaking? "What I would say is that probably in my childhood I was taught my responsibilities to the world," Taylor belongs to the United Reform Church, which he still attends and he signed the Pledge of temperance at the age of eight. "Anyone brought up during the war was aware of those responsibilities — to the Arab World, the Middle East, the Far East, to South America. And it matters to us, too."

I asked him to explain his democratic objection to political union.

"If you have a bureaucracy, even of professors and angels sitting together, without the pressure of democratic control they do become sleepy, they do spend money like water, they don't bother about efficiency and they don't bother about the people. See what happened in East Europe? It's exactly the same."

Taylor said there was "no way" the present structure of the Community, even amended, could be made democratic. But is Westminster so democratic? I asked. People talk about the elective dictatorship.

"I don't see why they can because if they have a dictator in charge they can vote the dictator out. But say, for example, you and other people in London were unhappy about

the policies of the EC — to do with protectionism, to do with their agricultural policy, their policy on pollution — what can you do about it? The answer is absolutely nothing. This is the key point of the EC."

Pro-Europeans say some powers would go up, but more would devolve down — it would be a Europe not so much of countries as a Europe of regions.

"But what are they going to implement, these regions? They're going to implement Euro-policies. In what sense is that democratic? How are they controlled?"

As for examples of waste, Taylor has no need to look further than the Common Agricultural Policy.

"Please, please," he implored. "Do think about this. Don't you realise that this week, last week, next week, we will spend £500m on agricultural policy. Look around here, the fields are all yellow because everyone is growing this funny rape business. Of course we're paying at twice the world price and there's a 10m tonne glut of it."

He told of the brass-plate company in Italy, a Mafia front, which got £120m from the EC for delivering non-existent fruit juice to Nato headquarters in Palermo.

"They just passed the bill to Rome and Rome passed it to Brussels."

I said I understood his feelings about some of the lunacies.

"But the whole structure is lunacy, that's the point."

He scoffed at the 1993 market liberalisation plans.

"Please find me any firm in Britain that can say because of this law we'll be much better off." Derogulation of insurance would allow a British company to insure the Eiffel tower (if it could could persuade the customer) but not French cars or houses. Life insurance could be sold, but not marketed, across borders. "So the idea of freedom is just a joke."

"How can harmonising driving licences in 1996 help. How does it facilitate free trade that we can have someone coming here from Greece or from Portugal with the right to drive. Their standards might be different. The examiners might have different attitudes. It may be their experience of driving and of accidents is much worse."

He denies that he is a xenophobe. He described the French as "very, very difficult, but nice. If you keep talking to them and send them Christmas cards, through time you can win through."

The Italians were "delightful". They might say no, but no-one was there to enforce the decision. "The Germans are the difficult ones; they pretend to be communautaire but use every possible device to frustrate free trade."

He conceded that on the Continent they were "very keen" on the EC. "I think it's partly for historical reasons because they are not terribly proud about their past. They

haven't had a great democratic tradition, and they look on the EEC as something forward-looking, go-ahead, exciting." John (Major) has been responding to that by saying nice things to them. But he hasn't conceded anything.

I suggested that however thorough his economic case, Taylor would lose the argument on historic inevitability. Wasn't Britain finished as a major manufacturing nation?

"It's not totally lost. But I'm glad you said that because people don't appreciate the extent to which things have gone."

Don't people think that the game is up and we've got nowhere else to go but into Europe?

"That's saying all we can hold out a begging bowl to Brussels. If that's the future you see for your country (he laughed a mirthless laugh) quite honestly it's appalling. If there's an alternative. And there is an alternative... If Britain could be a kind of Singapore of Europe. It's a grand vision, it would be a fantastic growth, excitement, economy."

Like Taylor, I have always been deeply suspicious of the Euro-propagandists and critical of aspirations to a European "world force" bloc. But his anti-EC zealotry, his pure economic reason, left me just as uneasy. He is too convinced to be convincing. I think I won't be pitching my tent in Taylor's camp.

Horseflesh and grammacrash

Michael Thompson-Noel



WE ARE what we read. What I read most, apart from travel books, is modern (very) fiction, which is why my speech in any given week tends to be shaped and coloured by the sentimental patois of this or that novelist.

The novel I am reading at present is *Homeboy* by Seth Morgan, an American whose style (he is now dead, unfortunately) has been likened to that of a Joycean Hell's Angel. In *Homeboy*, his miss en scène is the neoworld of San Francisco underfunds: junkies, cops, gangs, AIDS and the California state prison system. Morgan's writing career began when he won a PEN essay contest for convicts. When he died, last October, he was working on a second novel.

The reason I scooped *Homeboy* up in the bookshop was the enthusiasm of the reviews quoted by its UK paperback publisher, Vintage: "Funny and fast moving" (*Time*); "Mocks the limits of language to create an unnerving and utterly persuasive rendition of hell" (*New York Times Book Review*); "Remarkable" (*The Times*); "Funny and original" (*The Independent*); "brilliantly comic" (*Spectator*).

I have not been disappointed. At \$5.99, *Homeboy* has more juice than an electric chair. Morgan is informal with his grammar, and fond of running words together, fusing them so that they wink and glow as wickedly as the diamonds in De Beers' main vault.

As it happens, *Homeboy*'s plot swivels on the theft of a fabled diamond necklace, the Blue Jager Moon, a "vaguely Egyptian-looking necklace" that refracts an arctic aurora and can make a room shiver with "schilliant cold colors... the way dawn suffuses streetlamps."

Later, when the central character, Joe Speaker, surfaces from anaesthesia in the prison hospital, he sees a barred window overlooking the ruins of a naval yard: "sagging warehouses, fragile silhouettes of rusted cranes, hollow iron-bellied drydocks littering the mudflats like carcasses of beached sea monsters."

I wouldn't recommend this novel to anyone of a mild or genteel disposition; nor, comethought, to anyone stuck on fixed grammar or who hates to see words run together in the modern manner.

But for this week, at any rate, I am stuck with Morgan's style, clamped vicelike in its grip, as I realised on Tuesday when I steered the valiant Rover onto the motorway in Nottingham for a jaunt into the Berkshire countryside to interview a racehorse trainer named Roger Charlton, 41 years old, who is famed in the racing world for debuting last year with two derby winners, yes two derby winners, which was perfectly incredible, when you comethought.

It was not a sunny day. Rainclouds were stacked everywhere, darkening Merry Naffshire under a blackthatched sky and causing the countryfolk to huddle in their toy-

towns, eating pizzas, sipping cappuccinos, buying and selling antiques and winking glumly at interest rates to fall even though falling interest rates are already in the price and wheres the market going, thats what they'd like to know.

The Rover burred happily as we squeaked along the motorway with the wipers flicking springlike. Only trouble was, we were on the wrong motorway. We were on the M40 instead of the M4 — an easy mistake initially, especially from Nottingham, though one that becomes pronounced as the miles speed by so that just short of Oxford it is a large-scale error. If, like us, you are supposed to be in Beckenhampton, six miles west of Marlborough, at approximately the moment that the stableclock strikes noon.

We were nearly an hour late. But the trainer didn't chide us or seek to reprimand us — a startling illustration, now I comethought, of the sagacity of his profession, because a man who trains racehorses and has to deal with owners, not to mention hunscreants, and knows the ways of jockeys and won't let a bit of rain in his principality the year he made his debut, is a man familiar with idiosyncrasy in all its manifestations. A man, in short, who is able and generous enough to make due allowances if you, like us, are under the impression that the M4 motorway goes to many of the same places as that other meddling: autoroute, the hunchbacked M40.

Our chat went jolly smoothly. We pulled our cigarettes. I wrote down his sayings just the way he said them. Then I wished him the best of luck and many more derby winners. Later, in Marlborough, I had a cream tea for lunch in order to calm me down: jamscones and icecream, cranecake and breakfast. It cost a modest five, which will add lustre to my name when inscribed upon an expensesheet and signed and countersigned at the outset of its journey from the thirdfloor to the sixth of the pinkplush organ.

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I DO NOT write many newstories. I expect there is a reason for it. But I still have to read them. Here are some stories of which I would like to read much less:

Martina Navratilova's new girlfriend, 100th Wimbledon singles win or views on Big Bang.

Liverpool.

The best of Edinburgh.

Distant objects in the universe, especially the Duke of Edinburgh.

Arts fund-raising.

European VAT rates.

London Zoo.

Elizabeth Esteve-Coll.

Tales of hardship among Lloyd's Names.

Property prices.

Lecturers pay.

Plans in Zimbabwe to abandon marxism, leninism and scientific socialism.

Vulgar productions of Mozart.

Mark's & Spencer.

Moby Bragg.

With news in the state it is, no wonder I read fiction.

SOMEHOW I do not see the average *Weekend FT* reader as a regular customer of the package holiday industry. You are not the sort to join the jumbo jet-loads of pubescent football bootleggers on the annual pilgrimage to the Costa Brava or Corta. It is a month walking in the foothills of the Himalayas, if I am not very much mistaken, or a cruise around the Hellenic antiquities of Lower Egypt under the leadership of the Emeritus Professor of Archaeology at some ancient seat of learning.

If you have a family with young children, you probably prefer to avoid the tropics and the inevitable six-hour stay in one of Britain's leading airports at the pleasure of continental air traffic controllers. Like the Willmans, you may have discovered the self-drive, self-catering holiday in France, taking advantage of the abundance of empty rural property converted into *gites*. This by-product of the Common Agricultural Policy allows us to avoid the excruciating agonies of staying in a hotel with children, without having to slum it in a tent city shared with other families as "Hell is other people's children," as Jean-Paul Sartre would have said if he had ever got into a baby-sitting circle.

We *gites* holidaymakers are generally among the more discerning folk, the sort who can distinguish a Bordeaux from a claret. The travel agents who organise *gites* holidays recognise our superior qualities, and often provide a suggestions book in each of their properties to encourage guests to share helpful information and advice. The idea is to add value to others' holidays by demonstrating profound knowledge of local gastronomy, fine wines and romanesque churches. An ideal holiday would say where you can buy bread on Sundays, list the local restaurant offering the best snails and identify the vineyard which gives the most free goats.

The only problem is that these suggestions books offer temptation beyond endurance to the average Briton, whose main pleasure in going on holiday is to complain about foreigners and their habits. Complaints about *gites* are best taken up with the owner — but since the true-born Englishman or woman would die rather than complain to anyone's face, the book offers the ideal place to beef. The result is a complaints book which lays bare the British soul.

The best whingers in the world

Mustn't grumble... but John Willman thinks Britons usually do

Our *gite* last year had a suggestions book which was typical of the genre. The accommodation was a converted pigeonier, set in the grounds of a moated manor house among barns and granaries in the heart of the Charente. It was hard to envisage a more beautiful or tranquil country cottage and the owner, a widow of a certain age, was the very soul of hospitality. None of this dissuaded the experienced British grouseers, who succeeded in converting the suggestions book into an addendum to the Book of Job.

The easiest option was to complain about the weather (too hot, too cold or too wet). If that was insufficient reason, there was the cottage: the cold tap in the kitchen sink dripped; the door locks were stiff; there was no soap dish in the shower; worse, there was no curtain (the bathroom floor was tiled, as is normal abroad, but we all know about the French and hygiene).

Then there was the noise of tractors and aircraft spraying the crops. And a hardy annual was the prices in the local supermarkets and shops.

World class complaining was demonstrated by the visitor who had found that "the loo is too close to the wall and requires a certain amount of acrobatics to pull up your pants". Another felt obliged to point out that "the most gives the unfortunate impression of being firm — it isn't, as our oldest son found to his cost when he sank in it up to his waist".

The wildlife was also pretty nasty and brutish, particularly the mosquitoes. The H family from Bristol was "plagued by huge slugs". Mr Q found the incessant noise of the crickets disturbing. The S family complained about the noise of the bullfrogs and found that it took "a considerable amount of alcohol" to get a good night's sleep (that alone deserves an award as the most original reason yet devised for getting squiffy in France).

There is a unique argot in which this whingeing must be expressed, a curiously pompous style of writing practised in parish magazines and enthusiasts' newsletters. Mr D, for example, found the "best watering hole in the area" on his trip to the

nearest beach "which our trusty Range Rover achieved in one hour". Mr Q praised one small supermarket as "much more agreeable than the raucous canyons of great" at the local hypermarket. The owner was a "little gem", whose "good offices" had been "very much to our liking".

And in an entry which deserved wider exposure in TV's very own complaints book, *Points of View*, the Ts gave their verdict on this little piece of heaven on earth: "A good *gite* in a lovely setting, but oh, oh, oh, those mosquitoes!"

Archaeologists from a future civilisation will learn much from these books about holidays in the last part of the 20th century.

Several guests avoided eating out at all or ventured out only once in a week. And judging by the column inches devoted to the subject of petrol prices, some guests had spent most of their holiday on an exhaustive survey of the price of 4-star in western France. One family had taken a day out to dump black plastic bags of rubbish in the streets of the nearest town or refuse collec-

tion day under the impression that this was the only way to get rid of it. A few had managed to visit local beauty spots, but generally found the prices too high or the parking too difficult.

So next time you are staying in a *gite*, don't forget to make your contribution to this exciting new form of samizdat — whether it be to grumble about the sound of sheep snoring or a complaint over the softest of hair in the phlogoe. The stereotype of the whingeing pond has taken centuries to establish and must not be allowed to wither away through inaction.



John Willman and son abroad — and uncomplaining